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THE PRINCIPLES AND PRACTICE OF MARKETING

BY

R. SIMMAT, M.A.

AUTHOR OF

"PERSONAL SALESMANSHIP," "MARKET RESEARCH," ETC.

WITH A FOREWORD BY

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AUTHOR OF

"THE MARKETING OF FARM PRODUCTS," ETC.



LONDON

SIR ISAAC PITMAN & SONS, LTD.

1933

SIR ISAAC PITMAN & SONS, Ltd.
PARKER STREET, KINGSWAY, LONDON, W.C.2
THE PITMAN PRESS, BATH
THE RIALTO, COLLINS STREET, MELBOURNE

ASSOCIATED COMPANIES
PITMAN PUBLISHING CORPORATION
2 WEST 45TH STREET, NEW YORK

SIR ISAAC PITMAN & SONS (CANADA), Ltd.
(INCORPORATING THE COMMERCIAL TEXT BOOK COMPANY)
381-383 CHURCH STREET, TORONTO

PRINTED IN GREAT BRITAIN
AT THE PITMAN PRESS, BATH

TO
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INDUSTRIAL PSYCHOLOGY, LECTURER IN
PSYCHOLOGY, THE UNIVERSITY OF SYDNEY
TEACHER, COUNSELLOR AND FRIEND

FOREWORD

THERE is a real need for this book by Mr. Simmat, because it furnishes a vast amount of practical and fundamental information on an important subject that has been relatively neglected. It is not generally realized what an important part marketing constitutes in our whole economic life. Professional economists have treated the subject in an incidental way, and have generally failed to develop and to discuss its basic aspects.

The importance of the subject is indicated by estimates of the total cost of marketing in the United States. The total volume of retail trade in that country in 1929 was approximately 50 billion dollars, and the operating expenses of all retail stores aggregated about 14 billion dollars. Add to this sum the cost of operating wholesale houses, the selling expenses of manufacturers, and the cost of transporting goods from one place to another, and the total cost of getting goods from producers to consumers was in the neighbourhood of 27 billion dollars. This amount was equivalent to about 30 per cent of the national income in that year! Between 13 and 14 million people were engaged in marketing activities, out of a total of 49 million people gainfully employed.

In the United States marketing costs constitute about 50 per cent of retail prices of consumer goods. Possibly they are not so high in England; but they are of sufficient importance to deserve just as careful scientific study as has been bestowed on technical operations in manufacturing plants.

Looked at from an economic standpoint, marketing represents a series or collection of important services that

are absolutely essential in moving goods from producer to consumer. In the first place, there is the *assembling* of products from various sources. *Storing* of goods is necessary in wholesalers' hands, in special warehouses, and in retail stores. There is the *financing* of goods while they are stored and while they are on their way to market. *Assumption of risks* of price fluctuation and of deterioration is shouldered by middlemen who become owners of goods on their marketing journey. *Sorting, grading, and standardization* of goods are necessary. Then there is the *selling* function, performed by hundreds of thousands of salesmen and retail shop assistants, and advertising is a part of selling. Finally, there is the *transportation* of goods, including delivery to the consumer's home.

The middleman system has grown up, and become necessary, to perform these services. Expense is necessarily involved—more for some commodities than for others. The principal marketing problem is to devise means to perform these services as efficiently and economically as possible, in order to keep the "spread" between producers' prices and consumers' prices at a minimum.

Advertising enters as an aid in making the selling function more efficient and economical. If all demand creation had been left to personal salesmanship, the cost of marketing many commodities in a widespread manner would be higher than it is to-day. Some commodities are sold almost entirely by advertising, with little or no resort to personal salesmanship. Advertising is analogous to the machine in the factory; the more it is used, the more it displaces human labour; it amounts to a mechanization of the distributive process.

In the United States, scientific study of marketing began about 1912. Since that time there have been written many books covering the general field, many on the

marketing of farm products, many on retailing and wholesaling, a few on specific trades, and a large number on advertising. There have been hundreds of pamphlets issued by the Federal Government and by state colleges. Practically all colleges and universities give courses in this subject. One university announced 41 separate courses in domestic and foreign marketing for the year 1933-34. There are two national associations, the American Marketing Society, and one including the Teachers of Marketing. Because of the demand for information on this subject, the Government undertook in 1930 a Census of Distribution, wherein data on sales, operating costs, etc., were obtained from all retailers and wholesalers in the United States. This was an herculean and expensive task.

Scientific study of marketing is also progressing in England. Mr. Simmat's book represents an important step in this progress. It is especially recommended for its great array of practical marketing facts, with which every man in distribution activities should be familiar, and for its emphasis on the need for careful and comprehensive market analysis as a basis for sound advertising and selling plans.

L. D. H. WELD.

PREFACE

THE thoughts outlined in this work are based on my experiences firstly as a commercial understudy under the tutelage of Mr. Justly Rawlings, O.B.E., Managing Director of Anthony Hordern & Sons, Ltd., and doyen of Australian retailers, secondly as an executive of the Australian branch of the J. Walter Thompson Advertising Company, and finally as an Investigator at the National Institute of Industrial Psychology.

Under a chief whose insistence on the necessity of coming into direct contact with the customer by serving an apprenticeship behind the counter in every department in the store, I believe I first learnt the meaning of the term "service." I lost many of the illusions developed during undergraduate days. Experience taught that theory that cannot find practical expression in increased sales is useless. The training was a hard one, but well worth while.

Subsequently my introduction to American marketing methods by the J. Walter Thompson Company broadened my outlook to include the viewpoint of the producer. I learnt to appreciate the typically American attention to detail and the development of sales promotion methods from basic facts revealed by an intensive study of consumer habits in the field.

Finally, as an Investigator at the National Institute of Industrial Psychology, with the warm encouragement of the Director, Dr. G. H. Miles, the inspiration of its tradition as a monument to the pioneer work of the Principal, Dr. C. S. Myers, and as the result of frequent contact with points of view other than my own, I have

been enabled to modify, reject or consolidate ideas based on the experiences of earlier years.

Several of the chapters in this book have been published, perhaps in slightly different form, during the last five years. The subject-matter of the two chapters on Advertising first appeared in *The Australian Journal of Psychology and Philosophy*, and also in *Newspaper News* and the *Efficiency Magazine* (Australia). Certain parts of the chapter on "Packaging" have been published in *Shelf Appeal*. The chapter on "The Interpretation of Statistics" has appeared in *Advertising Display*, that on "Prices and Price Levels" and that on "The Wholesaler" in *Marketing*.

Some of the ideas contained in the chapters relating to the function of the salesman have been outlined in my *Personal Salesmanship* (Pitman, 1929). However, these have been brought into line more with the problems of Marketing. I purposely have refrained from discussing in detail the technique of Market Research beyond mentioning certain general principles and objectives, since I believe that already this has been done adequately in my book *Market Research* (Pitman, 1931).

I owe many of the ideas contained in the chapter on "Packaging" to Mr. L. O. Coulter, executive of the H. K. McCann Advertising Company in London, whose friendship and interest in my work recently have encouraged me a great deal.

I have dedicated this work to Dr. A. H. Martin as a slight recognition of the debt I owe him, first as a teacher, and later as a friend who always has been ready with advice and encouragement when criticism from colleagues or others has caused my efforts to flag. I only hope he will consider it a worthy result of his teaching.

R. S.

LONDON,
October, 1933

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THE PRINCIPLES AND PRACTICE OF MARKETING

CHAPTER I

THE SCOPE OF MODERN MARKETING

OBJECTIVES in marketing—Products for industrial use: raw materials, fabricating materials, primary equipment, accessories, and operating stores—Products for retail use: convenience, shopping, and speciality goods—Ultimate developments in marketing procedure

THE primary object in marketing is to sell a particular type of product to the largest number of consumers in the most economic way. It is aimed to achieve this first of all by evolving such a product that a specifically determined group of consumers can be influenced to purchase it; secondly, by developing methods of distributing the product in the most effective way from producer to consumer, by influencing wholesale and retail distributors to stock it and to direct their efforts towards persuading potential consumers to purchase it; thirdly, by evolving appropriate sales promotion methods to create a demand among potential purchasers; finally, if necessary, by continually modifying the product and its attributes so that consumers will continue to buy it. Modern marketing thus has for its scope the entire process of distribution from the producer to the consumer in so far as this process is broadly related to influencing the consumer to make purchases.

It has been claimed by many manufacturers that the principles of marketing as applied to their own particular

product are very different from those that are successful in marketing other types of product. Experience has proved, however, that the same basic principles of marketing are involved in influencing consumers to buy anything, whether motor cars, theatre tickets, wines, or a tablet of cheap soap. Particular types of product require modification in the technique to be employed in marketing them, but the same basic principles must be applied to all.

Economists have divided marketable products into two broad types—those for industrial use and those for retail use.

PRODUCTS FOR INDUSTRIAL USE

Products for industrial use, normally, are divided into five classifications: raw materials, fabricating materials, primary equipment, accessories, and operating stores.

Raw Materials. Raw materials are those from which a finished product is manufactured. Usually raw materials do not undergo other than very primitive manufacturing processes before they arrive at the factory. Raw cocoa, cotton, wool, etc., have undergone a certain amount of preparation, as have iron, tin, copper, and silver, etc., but they form only a basis for the production of fabricating materials and produce to be sold to the consumer.

The type of raw material purchased by any manufacturer is determined by the requirements of his plant and the grade and type of product he desires to sell in its finished form. Raw materials are bought and sold in bulk at ruling market prices. The prices and methods of marketing raw materials are more standardized than those of branded finished products. They are determined partially by what price can be obtained for the finished product, and partially by the total supplies of raw material that are available in the market at the time of purchase.

Manufacturing organizations have special buying departments which concentrate upon developing a method of purchasing raw materials at times when prices are such that the materials can be manufactured to be sold to the consumer at a profit and when they can be bought most advantageously with regard to both quantity and quality. Purchase is usually made on the basis of specification, sample, and inspection.

Fabricating Materials. Fabricating materials are constituted of partially manufactured raw materials. These are either assembled or made to undergo a further process of manufacture to become the finished article to be sold to the consumer. Under this classification might be included motor-car parts, tailors' materials, chocolate *couvertures*, etc. Frequently, the manufacturer produces his own fabricating materials, but in certain instances he purchases them from other organizations, usually on a contract basis.

Primary Equipment. Primary equipment is the machinery and other plant necessary in the factory for goods to be produced. The general public are not the purchasers. The "market" for primary equipment is thus very narrow and limited to manufacturing organizations that require it. Modern primary equipment is often very complicated, and those who buy it as well as those who sell it must have considerable technical knowledge.

Accessories. Accessory equipment may be described as that which is necessary to the smooth running and administration of an organization. It includes typewriters, time clocks, telephones, etc. As with primary equipment, the knowledge of those buying this type of goods must often be very technical, and the "consumer" is generally an organization and not an individual.

Operating Stores. Operating stores are the smaller items used up in the routine operation of an organization, such

as stationery, oil, ink, etc. Except that these supplies are often bought in bulk quantities and an organization is the "consumer," these differ little from ordinary merchandise manufactured for the use of the "general public."

PRODUCTS FOR RETAIL USE

Economists have classified products for retail use under three headings: convenience, shopping, and speciality goods. This classification is based on the difference in the technique with which each type must be marketed and the differences in the types and attitudes of consumers towards them.

"Convenience" goods are usually understood as being those which are used in everyday life and which can be easily obtained in the same quality and quantity at the same price in a large number of shops. Sugar and flour are types of "convenience" goods. With the development of manufacturers' branded products all the low price, nationally advertised, branded products with wide distribution may be regarded as "convenience" goods.

In contrast to "convenience" goods, "shopping" goods are often not branded and not nationally advertised by a manufacturer. Typical "shopping" goods are the dress materials, the costumes and the coats that are sold by the larger stores and which women go from store to store to examine with the object of selecting the one with the best quality at the best price.

"Speciality" goods may be the branded products of an individual manufacturer distributed on a national basis. More frequently they are exclusive and often high-price products sold in shops exclusively devoted to selling products of one type only.

The first step in marketing goods for retail use is to decide into which of these three categories they fall.

Convenience Goods. It will be shown in later sections

how modern marketing practice is becoming directed more and more towards the sale of branded and packeted merchandise. More and more branded and packaged merchandise is being sold through retail outlets. National advertising, by making the branded product known and stimulating a consumer demand for it, has made this type of merchandise the easiest for the retailer to sell. The situation has developed that the ordinary purchaser does not care a great deal where she purchases her goods so long as they are the brand she has been taught by advertising to want at a certain standard price. Thus, the essentials in marketing "convenience" goods are to secure as wide a distribution over as many outlets as possible, to establish a brand by advertising and other sales promotion methods and, at the same time, to create a demand for that brand in the mind of the consumer. Distribution of "convenience" goods may be effected directly by the manufacturer or through the medium of a wholesaler. The manufacturer's own salesmen may contact directly with certain more important outlets, while wholesalers may distribute to other smaller and more scattered ones.

Shopping Goods. "Shopping" goods to-day are confined to drapery and the other unbranded merchandise for the most part sold in the larger stores. However, the tendency is for such articles as silks, shirts, collars, corsets, etc., to be branded. As this tendency for merchandise to be branded becomes more general even than it is at present, so will "shopping" goods develop into either the "convenience" or the "speciality" type, with perhaps the majority becoming "speciality" goods. In the past the wholesaler or "jobber" has been the general distributor of "shopping" goods, although many large stores have become accustomed to deal directly with the manufacturer. The important factor in marketing "shopping"

goods is that an extremely wide range should be provided from which the purchaser can make a selection. The wider the range with regard to both quality and price, the greater the possibility that a sale will be effected. Another aspect of modern marketing practice is that by limiting the ranges and standardizing prices, it is also operating towards the elimination of the "shopping" type of merchandise.

Speciality Goods. When the individual cannot fulfil her requirements at the normal types of retail outlet owing to the fact that the merchandise required is such that there is not a sufficiently great demand to justify ordinary shops stocking it, then her wants are catered for by the speciality shops where more complete ranges of specific products are stocked. The speciality sports store has adequate ranges of particular brands of cricket bats or tennis rackets, the speciality boot shop has specific brands and a complete range of boots, the motor accessories shop another special kind of merchandise, and so on. Men's and women's fashion goods are frequently distributed through speciality shops, such as tailors, lingerie shops, etc. Many speciality shops sell nationally advertised, branded products, usually of the high-price type, for which they often have an exclusive franchise for the locality. Others sell special brands of their own. Manufacturers often have their speciality shops. Speciality shops either purchase direct from the manufacturer or else they make their own merchandise. The wholesaler as a rule does not have any contact with them.

ULTIMATE DEVELOPMENTS IN MODERN MARKETING

It will be shown how the predominating tendency in modern marketing practice is towards the sale of branded merchandise for both industrial and retail use. With this

greater emphasis on branded merchandise, the aim of the modern manufacturer is to limit his range to those products which will sell rapidly and involve the carrying of only small stocks on the part of the retailer, so enabling the rate of turnover to be increased. The object of modern marketing is to evolve the product that will meet either the immediate or created potentiality of a market. This market is defined and limited, and sales promotion methods are developed to sell the product rapidly to as many individuals as possible within its scope. Whether the product is raw material or high-grade exclusive and expensive "speciality" merchandise, the same principles must be applied of determining who are the potential purchasers, what they want, and how they may be influenced to purchase the product. Although the following chapters are concerned more immediately with the marketing of branded "convenience" goods, yet the basic principles outlined may in general be taken to apply to all types of merchandise.

CHAPTER II

MARKET RESEARCH

ASPECTS of market research—The consumer questionnaire—The trade questionnaire—Trying out the questionnaire—The coverage of the field work—The field workers—Analysis of questionnaires—Other market statistics—Sales quotas—Statistics within the organization

IF marketing means giving to the consumer what he wants, then the important matter to be considered is the way in which it can be ascertained what the consumer either does want or can be educated to want. The procedure of finding out what consumers want, how many of them want a particular type or brand of product, and how it can be made available to them, is described as market research. Although market research is a comparative newcomer as a recognized science, yet many of its general principles have been implicitly understood by the more farseeing manufacturers for many years. However, it is only recently that certain methods of finding out what the consumer wants have been explicitly laid down and their practice defined as the science of market research.

Market research takes into account three aspects of consumer wants, the first being the determination of these wants in relation to possible new types of product, the second being their determination with regard to a particular type of product at present being sold, but with special reference to the possibility of introducing a new brand of that type of product, the third the examination of consumer reactions towards a brand of product that has been marketed for some time. In the first and second aspects it is important to ascertain whether a sufficiently large number of consumers want, or can be influenced to want, the type of product. In the third, emphasis must

be changed to a study of how far the product being marketed is filling the wants of consumers, and what means may be adopted to achieve this most effectively.

THE CONSUMER QUESTIONNAIRE

The method adopted in market research to find out what the consumer wants is to develop a questionnaire which is used by a field worker as a basis for interviewing actual or potential consumers. Occasionally questionnaires are sent out through the post, but it is now generally recognized that, because of the many misunderstandings arising in the interpretation of the questions by the consumer, and also because of the low percentage of replies, under most circumstances the use of the posted questionnaire is unsatisfactory. An additional factor operating against the accuracy of data obtained from postal questionnaires is that in all probability only a particular type of individual bothers to fill in the questionnaire and return it. Thus the data obtained through the post is not representative of the community as a whole, but only of that small proportion of it represented by the type who answer questionnaires.

In formulating the actual items of a questionnaire, certain general principles must be observed. Link has discussed these at length in his book, *The New Psychology of Selling and Advertising*, and the author has outlined them in his book, *Market Research*. In general, the questionnaire should aim to find out what people are doing rather than what they think they ought to do, or what they would like to do. The questionnaire should aim to find out the following with regard to the class, type, and sex of consumers in their relation to any particular type of product—

1. Whether they use the type of product.
2. What brand they use.

3. Where, when, how often, at what price, and in what quantities they buy it.
4. What they use it for.
5. When it is used.
6. What other brands they have used, why and when they discontinued using them.

The reasons for doing each of the above should also be ascertained, but it should be remembered in considering these that they do not afford as accurate a picture as the pure quantitative statistics obtained from answers relating to what people actually do.

THE TRADE QUESTIONNAIRE

To obtain additional facts relating to consumer habits, questionnaires are often developed for field workers to use in interviewing wholesale and retail distributors. The general facts obtained from these relate to—

1. The distribution of the various brands of the particular type of product among various types of outlet.
2. The position of these brands with regard to their relative sales.
3. What class, sex, age, etc., of individual buys the product.
4. When the product is bought, whether sales are seasonal or steady.
5. Are sales of (a) the type of product, (b) the various brands of product, increasing or decreasing?
6. Display, advertising, and other selling schemes developed by the various manufacturers and their effect upon sales.
7. Quantities of the various brands of products sold.
8. Margins of profit allowed by the various manufacturers.

As in the case of the consumer questionnaire, the reasons and comments of members of the trade with

regard to each of the items enumerated are often obtained as well, but these should be regarded as affording qualitative indications and tendencies rather than quantitative statistical data.

TRYING OUT THE QUESTIONNAIRE

It is claimed by authorities that the accuracy of answers to questions can vary from 20 per cent up to 60 per cent. The actual limitations of any results obtained from field work are discussed in Chapter V. To reduce the possibility of error in interpreting the questions, it is customary to try out the questionnaire on a trial group. This try-out will reveal—

(a) Any faulty or awkward sequence in the wording of the questions.

(b) Any possible misinterpretation of the meaning of the questions by those interviewed.

(c) The general reaction of the persons interviewed to the questions.

(d) The general type of information that will be obtained from the questions.

On the basis of the preliminary try-out, the questionnaire often must be remodelled to provide for weaknesses that may have been revealed.

THE COVERAGE OF THE FIELD WORK

In developing the coverage for a field investigation, it must be borne in mind that potential consumers differ according to (a) psychological type, (b) sex, (c) age, (d) geographical, and (e) social classifications.

Different psychological types of person react differently to specific types of product. Some types prefer highly seasoned goods, some prefer brightly-coloured fabrics, and so on. Women often prefer different types of product to

men. Young people have different idiosyncrasies to elderly people. Persons in cold countries have different habits to those in tropical regions. Wealthy people purchase different goods to poorer people, and so on. Since market research aims to ascertain either the greatest market for a specific type or brand of product, or else what type of product will appeal to a specific type of person, it is essential that the field investigation must cover different psychological types, sexes, ages, and geographical areas to a necessary representative degree.

To obtain a cross-section of social grades, certain arbitrary lines of demarcation have been laid down. Socially, consumers are usually regarded as being divided into four groups. These groups are distinguished from each other on a broad basis of income and general social standing. The highest group, or Class "A," consists of those to whom everyday expense is not a matter of concern. Families in this group usually own one or more cars, possess large houses, and employ several servants. Members of the next group, Class "B," are reasonably comfortable. They live well, but must take into account to some small degree the expenses of everyday life. In many cases members of Group "B" possess fairly large houses, own a car, and may employ a servant. The third, Class "C," is numerically the largest group, and is generally termed the "middle classes." They live moderately well, but definitely cannot ignore the question of everyday expenses. They are the bank clerks, the policemen, the better-class factory workers—in general the backbone of the community. The lowest, Group "D," is that which has barely or even insufficient income to provide itself with the necessities of life. Normally, Class "D" is not greatly important, except to the manufacturer of low-price necessary commodities.

The field workers among the trade should cover firstly

the various types of outlet, such as wholesalers, department, multiple, and co-operative stores, and the types of small retailer, such as chemist, grocer, draper, oil shop, etc. In addition the various grades of each of these outlets should be covered, Class "A" representing a shop catering for Class "A" consumers, and Class "D" the shop catering for Class "D" consumers.

THE FIELD WORKERS

Experience has shown that women usually are more effective as field workers than men. Except in instances where executives of large organizations are to be interviewed, men interviewers should not be used. Certain types of persons require more intelligent handling during the interview than others. Experiments have indicated that persons with a very high-grade intelligence are unsatisfactory in interviewing housewives. A higher grade of intelligence is required to interview traders than for house-to-house calls, and usually a higher grade of intelligence is required to interview the higher class of housewife than is required to interview the lower-grade housewife.

Field workers are trained not to accept second-hand information from servants, maids, etc. They must obtain first-hand information from the mistress of the house, or the manager in the case of trade calls. If any person interviewed resents answering the questions or gives the field worker reason to believe that the questions are not being answered conscientiously, the interview is tactfully terminated as soon as possible. Approximately 10 per cent of the interviews are usually checked to ascertain the general reaction of those interviewed to the field worker, and also to ensure that the field worker has been doing her work conscientiously. The number of calls a field worker can make in a day varies both according to the length of the questionnaire and the type of person

interviewed. While it is usual to expect about twenty-five to thirty average housewife interviews in a day, it may only be possible to interview as few as four or five high-class housewives or business executives in the same time. Thus it is usually considered undesirable to set a fixed quota of interviews that a field worker must achieve in a day, since this may tend to make her treat the interviews superficially to secure this quota. Questionnaires are made as short as possible, so that neither the field worker nor the person interviewed becomes tired and loses interest before the interview is concluded.

Finally, the areas in which the field work is being carried out should be studied to determine the times and days on which housewives and the trade can be interviewed with least inconvenience to themselves.

Salesmen are often used to obtain information from the trade. It is usually felt, however, that salesmen obtain biased information from members of the trade, who are either extremely favourable or unfavourable to the salesman himself. The person interviewed normally does not know for whom the specially-trained field worker is making the investigation, and thus is liable to give more accurate information. The salesman, however, can contribute data relating to the conditions in his territory as a regular part of his routine.

ANALYSIS OF QUESTIONNAIRES

The data obtained from questionnaires is analysed either by manual or machine methods. If a small number of questionnaires is involved, it is customary to analyse them by the ordinary tally-sheet method. However, if a large number of questionnaires is to be analysed, it may prove more economical of time and effort to do this by using either the Powers-Samas or the Hollerith tabulating machines.

If machine tabulation is to be employed, then the questionnaires must be specially prepared with alternative answers to each question printed on them and marked with a code number. These alternative answers are usually obtained from the preliminary try-out of a questionnaire set out in the normal way. Instead of writing the answer to a question, the field worker puts a ring round the number corresponding to the answer. In analysis the ringed numbers on each questionnaire are punched on to a card so that the punched holes on each card represent the complete answer for one questionnaire. The group of cards so punched are then sorted according to a required combination arranged on a master card by being placed in a sorting machine which works at a very rapid speed. When sorted, the cards are placed in a tabulating machine which automatically prints the result.

The chief advantages of this mechanical method are its speed, the fact that any combination of data can be obtained if desired, the saving represented by the elimination of girls to do the tabulation by hand, and the fact that the actual routine of tabulation, being mechanical, must be more accurate than the hand method, where the human factor introduces a greater possibility of error. The only stage in the machine process where error is possible is when the information is being transferred from the questionnaire to the cards by the operator of the punching machine.

The one possible disadvantage of the mechanical method is the use of questionnaires with the answers set out. This is not important when the answer is one describing what people do, or what products they use, or where the answers must be a plain statement of behaviour. However, when people are asked to give qualitative answers as to why they do certain things, then the setting down of answers suggests reasons to them which

otherwise never may have occurred to them. The most effective procedure is to use set-out answers to questions of fact, but with regard to questions relating to *reasons*, alternative answers should not be set out on the questionnaire. The actual answer should be written in by the field worker, and, if considered desirable, code numbers may be added later on and then analysed and tabulated by machine.

OTHER MARKET STATISTICS

When the attributes of a product or proposed product have been determined or examined in the light of data obtained in the field, these also must be considered in relation to other statistical data. Frequently the habits and reactions of communities are expressed statistically, as, for example, the numbers of individuals in an area having electric light, gas, telephone, or wireless installed in their homes, or who own houses or cars. These statistics indicate the possibilities of the consumer market for certain products. Other indications may be afforded by statistics relating to population, individual wealth as shown by bank deposits, wages earned, number of unemployed, etc. All such relevant statistics should be compiled according to an organized system and kept up to date. Additional helpful information may be obtained from official Government sources, such as the home and world production trends in particular industries, imports and exports, etc.

SALES QUOTAS

The modern manufacturer sets quotas for each product the individual salesman handles. On the basis of these, raw material is purchased and production organized. These quotas are estimated in various ways. The most frequent method has been to take the sales for a particular

period in the past and either add or subtract an arbitrary percentage, irrespective of economic changes and local developments that may have intervened. Another method is to base the quota on population statistics and to take some account of economic changes and developments. The most accurate method is to take an account of the number of possible outlets in a territory, consider the present gross turnover of these, estimate the possible turnover for the future period on the basis of indices of economic trends, and then set the quota as the sum of a proportional turnover for the product in each of these outlets. This method is only practicable if information relating to the turnover of the individual outlets is available. Some manufacturers obtain estimates of this on their own initiative and at their own expense. In the United States of America a periodic census of distribution is made, and the published results of this census afford this information.

STATISTICS WITHIN THE ORGANIZATION

The majority of the larger manufacturers and distributors keep elaborate compilations of sales statistics relating to their own trade. These are designed to afford indications of trends with regard to the manufacturer's own products. Primarily these statistics relate to past and current sales figures, broken down according to different areas and according to the different products being marketed. These sales are often further analysed to show trends with regard to different types of packing, seasonal variations, and the volume of sales through the different types of outlet. They may also be presented to indicate the effect of advertising or other sales promotion schemes and the development of different marketing policies. It is frequently desirable that these sales figures should be compiled in terms of pounds sterling, weight,

size of individual orders, frequency of order, the number of orders for the period, and the number of customers with whom business has been done. Sales statistics may also be of value when expressed in terms of per capita sales for various territories. This method is often used for the purposes of comparison. Selling costs, or more correctly costs of distribution, such as packaging, sales salaries, advertising, display material, etc., are usually analysed and estimated as a percentage of sales to ensure a careful check of the individual items so that the marketing and sales executives can legislate accordingly.

CHAPTER III

THE CONSUMER PANEL: ITS USES AND LIMITATIONS

COMPILING the panel—Submitting the samples—Reliability of results—
Controlling the conditions—Essentials in the panel—Application
and use of results

CONTINUING to follow the principle that, to be successful, a product must be such that it fulfils the wants of the consumer to whom it is proposed to sell it, many manufacturers have instituted the practice of testing their products on selected groups of individuals whom they consider represent a cross-section of their market. One procedure is to compile a list of persons who are willing to carry out these tests. Members of this group or consumer panel are classified according to their age, social status, sex, geographical location, and other characteristics. Samples of the various products for which it is necessary to measure consumer reactions are either sent to these people through the mail, or else taken to them by a field worker. Their preferences are obtained and their comments recorded. The final analysis of these is used, in conjunction with other data, as a basis for elaborating both production and marketing policies.

Thus it is essential that the information obtained from consumer panels should be as accurate as possible. Every effort must be directed toward eliminating any disturbing factors that may prevent the final series of judgments from being representative of the consumer community in general. In developing a consumer panel, only those individuals are selected who normally use the type of product being tested. For example, persons who do not like chocolate are of little value as members of a chocolate-testing panel.

SUBMITTING THE SAMPLES

Disturbing elements may enter into the procedure in submitting the samples of the consumer to be tested. Three different methods are employed. The most common is to send the samples through the mail, enclosing instructions as to use and simply asking for preference and comments. This has the disadvantage that, however carefully the instructions are worded, it is difficult to ensure that they are exactly carried out. It is the basis of scientific testing that each subject should make the test under identical conditions. In testing samples of cocoa, for example, a great deal would depend on the details of the technique employed by each individual in making it. Even the addition of a greater quantity of sugar to one sample might affect the results.

This disadvantage may be overcome by the employment of a second method, viz., inviting members of the panel to a laboratory where they are asked to carry out the tests under carefully standardized conditions. This procedure ensures a constancy of the various factors involved in the process of testing. However, once a subject enters a laboratory, the conditions under which the tests are made become abnormal and judgments are affected accordingly. They tend to become unnatural and forced.

The third procedure is for a field worker to visit the subjects in their own environments and remain with them until the tests have been completed. Despite its difficulties, this technique is the most effective and accurate, in so far as the tests are carried out in a standardized way, and at the same time in a normal environment.

RELIABILITY OF RESULTS

Passing from the question of procedure, the next factor of importance is the reliability of the subjects who carry out the tests. Where a nationally known manufacturer

utilizes a consumer panel, he may remunerate the various members either with money or with merchandise. Thus there may be a general tendency for the members to strive to please the manufacturer, and if any of the goods submitted for test can be identified as belonging to him, the subjects (consciously or unconsciously) will be influenced in their favour. Thus marks of identification as far as possible should be removed from the samples tested.

CONTROLLING THE CONDITIONS

The next problem relates to the capacity of the subjects to judge. Certain individuals can judge flavours better than others; others are the more accurate judges of colours. Controls are developed so that only those capable of judging the qualities to be tested have their judgments included in the final results of the tests. One technique is to require the subject to rank the samples in order of merit and then to give judgments on pairs of samples in which each sample is paired once with every other one. Those subjects whose "order of merit" judgments do not correspond with a ranking arrived at on a basis of the judgments they give following the paired comparisons method are eliminated. Another method of checking the reliability of subjects is to ascertain on what factor they are basing their preference. For example, if this is quality, then quality is emphasized in a second series of samples which are made in known gradations of quality. If the subject's subsequent rankings do not agree with these gradations, then the original judgment cannot be considered as reliable. Other variables are often introduced to test the reliability of the subject's judgment—for example, a control might be used which would involve submitting for test the identical product in different types of container. The subject's subsequent ranking determines the reliability of his judgments with regard to the

product itself, and the extent to which he is influenced by extraneous factors. A final factor affecting the reliability of a judgment given by a member of a consumer panel is the frequency with which he is called upon to give a judgment. If a small panel is the only one available and its members are asked to give judgment at frequent intervals, they tend to become super-critical and more attentive to the necessity of giving a judgment than the normal consumer is. Their judgments thus cease to be representative, and so are misleading.

ESSENTIALS IN THE PANEL

A main essential in developing any technique for testing samples by the use of a consumer panel is to disguise from the subject the *real* factor that is being tested. An example might be quoted where it was desired to test the effectiveness of various labels. Four packages were made up, each using a different label but containing exactly the same product. The subjects were asked to rank the packages in the order in which they liked the contents. It was argued that as the contents were identical, the subjects would be influenced unconsciously by the variable factor, i.e. the labels. So that their rankings were really the order of preference for the labels.

Many manufacturers use the normal purchasers of their product as a consumer panel. For example, if a type of face cream is the product it is desired to test, alternative samples are included in the regular package of some similar product, such as soap. Purchasers of the soap are invited to try the samples of face cream, select the one they like best, and are then allowed to purchase a quantity of their preference at a reduced price. Consumer preference is then indicated by the sales figures for each type of cream at the reduced rate. This method has the advantage that it makes the consumer pay something

for the product and so eliminates sample hunters. At the same time it has the disadvantage that perhaps the best types of purchaser will not avail themselves of the offer.

Whatever the ultimate technique decided upon, it is important that the consumer panel must be *representative* of the potential market for the product. Numerically, the tests must be continued until a consistently invariable figure is arrived at to show trends. Often a few hundred tests only are necessary, but not infrequently several thousand subjects must be tested before a figure denoting percentage of preference can be arrived at which does not vary with the addition of further groups of judgments.

APPLICATION AND USE OF RESULTS

The results obtained from the judgments of consumer panels should not be considered as sole criteria on any particular point. Like all other statistics relating to markets, they must be interpreted by the expert in the light of other available data, and his own knowledge and previous experience. Correctly carried out tests on a consumer panel afford a valuable indication of tendencies. They provide a weapon to be used by the practical man in the way dictated by his experience and the other factors important in any particular set of circumstances.

CHAPTER IV

GRAPHIC AND STATISTICAL PRESENTATION

Use of graphs—Component parts—Comparisons—Periodic variations—The line graph—Maps—Statistics in field observations—The frequency distribution—The organization of statistical data—The average—The median—The mode—The normal probability curve—The construction of the frequency curve—The histogram—The “skewed” curve—Standard deviation—Bi-modal and multi-modal curves—Correlation

WHEN data has been collected, the next step is to put it in such a form that it easily can be understood and interpreted. Much of the data relating to markets is such that its implications can best be appreciated in relation to other data by means of graphic presentations.

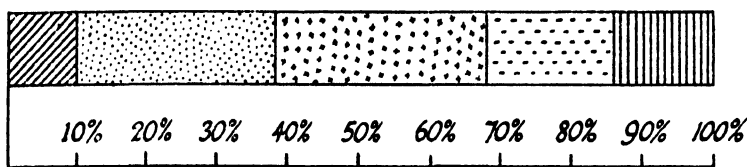
COMPONENT PARTS

The simplest method of illustrating the component parts of any group total is by using either an horizontal bar or a sector chart. The individual components are often distinguished the one from the other by utilizing different shadings or colours ; the meaning of each of these is indicated in a key. The sector method is the most easily understood and is probably the more universally used.

COMPARISONS

Charts are often used to show one set of circumstances compared with another set. Chart II represents the types of soap used for the bath by women in various social grades. For simplicity the bar method is preferable when illustrating comparisons, although the sector method also is frequently used. The horizontal bar method of presentation takes up less room and in addition enables the items to be arranged in a set order. The bars may be varied to a vertical arrangement. When a number of bars

must be used, they are usually arranged horizontally; when a few bars, the arrangement may be vertical. The



Legend

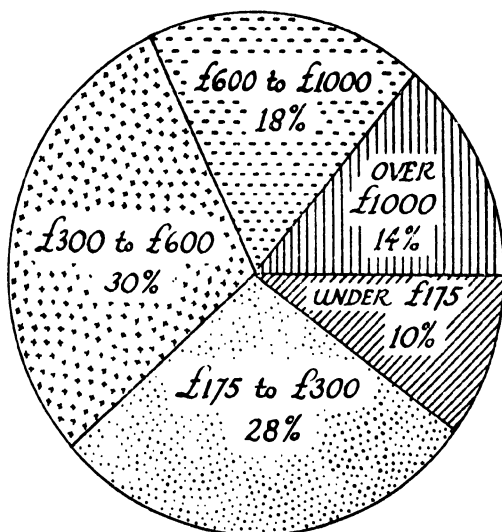
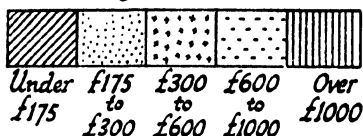


CHART I

GRAPHS USING HORIZONTAL BAR AND SECTOR METHODS TO SHOW THE PERCENTAGE DISTRIBUTION OF INCOMES IN A DISTRICT

horizontal method has the advantage of more readily lending itself to the use of horizontal lettering describing the data charted.

PERIODIC VARIATIONS

The horizontal or vertical bar method of presentation is frequently adopted for illustrating sales or other variations due to seasons, climatic conditions, and so on.

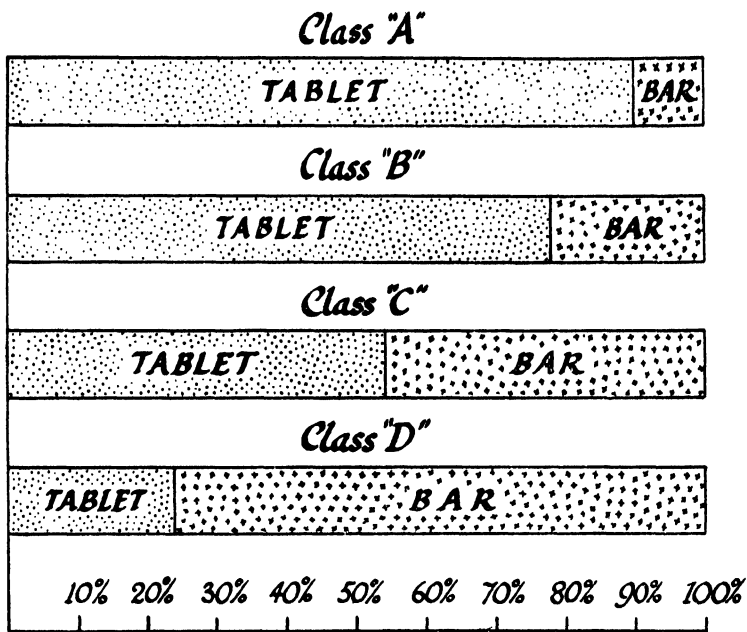


CHART II

HORIZONTAL BAR METHOD USED TO ILLUSTRATE THE TYPES OF
SOAP USED FOR THE BATH BY WOMEN IN A DISTRICT

The women have been grouped according to income classification

Chart III shows how the seasonal sales of a product may be illustrated.

THE LINE GRAPH

Where a number of different sets of data are to be charted so that the one set can be compared with the other to observe trends, the use of horizontal bars becomes complicated. Under these circumstances it is usual to

chart what is known as the line graph. Comparative line graphs are usually drawn on paper ruled in squares. Two lines are drawn perpendicular to each other, the vertical preferably on the extreme left, and the horizontal at the

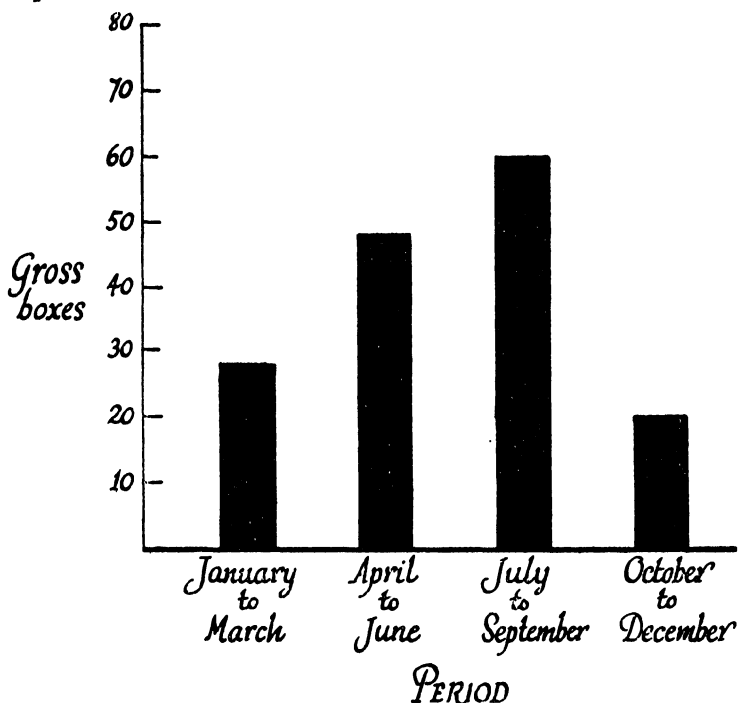


CHART III

VERTICAL BAR METHOD USED TO SHOW PERIODIC VARIATION IN SALES OF A PRODUCT DURING THE FOUR QUARTERS OF A YEAR

bottom of the paper. The vertical line is conventionally known as the OY axis, and the horizontal the OX axis. O is the point of intersection and is conventionally termed the "origin" or zero point.

The step intervals, the times, brands or other factors being considered are marked off at regular intervals along the OX axis. Where numerals are concerned the lower limits are placed nearest to the origin O . Each successive

step is labelled. The distance between each step should be adjusted so that all the steps can easily be included on the one graph.

Unit distances are marked off on the OY axis to

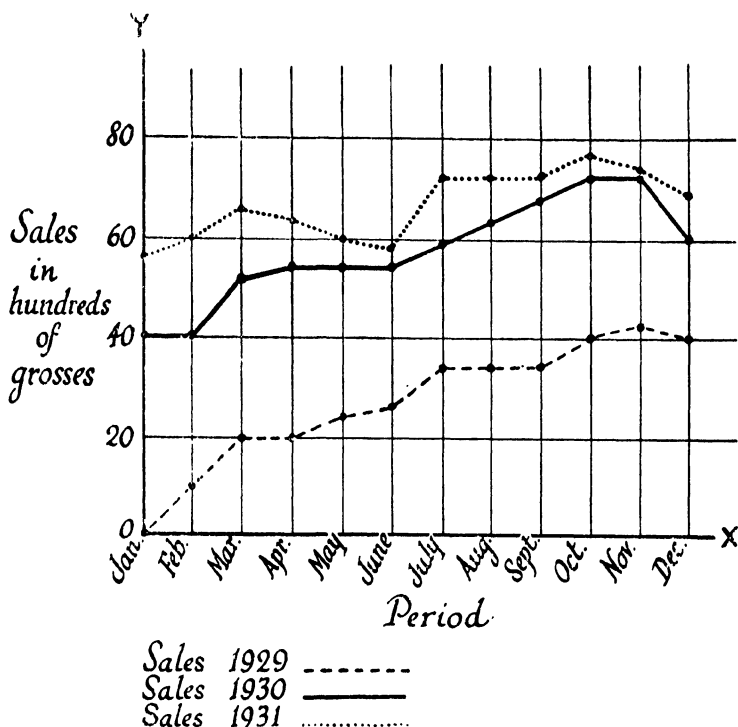


CHART IV

LINE GRAPHS USED TO COMPARE SALES FOR THREE YEARS

illustrate the extent of the various factors to be graphed as operating at the various points marked on the OX axis. These should be marked clearly, the lowest being nearest to the origin O . The scale should be such as to admit of the most effective representation of the factors being charted.

From each of the points marked on OX a vertical distance should be measured to equal the factor being charted as operative at that point and in terms of the

scale marked on the axis OY . This point should be indicated by a cross or some such mark. All the points marked in this way should then be joined to form the complete line graph.

Using the same scale and axes, the other factors to be compared with those operating in the first line graph should be graphed in the same way, but using either different coloured inks or different types of line to distinguish each curve from the other. The factors operating in each curve should be shown clearly either on the line graph itself or in an explanatory index or legend.

The type of curve shown on page 28 illustrates a comparison of sales tendencies more clearly than any table of statistics could achieve.

When two curves are drawn together it is important that the scales used for both should be the same. Wherever possible the curve should begin at zero; otherwise misleading results are liable to be obtained.

The highest points in a curve are known as peaks and low points are known as depressions. When a curve proceeds for a distance without tending to rise to a peak or drop to a depression, it is described as "flattening out." In market statistics all peaks, depressions and flattening-out points must be regarded as being due to a cause which the marketing expert must examine.

In all curves two factors operate—one variable and the other invariable. It is the variable factor that is of importance in marketing. The invariable factor is represented by seasons, etc., and should always be represented by the base of the curve; the variable should be represented by the vertical measurements.

MAPS

Maps are frequently used in marketing, and various information is shown on them by using different shadings,

coloured pins or other signals. Maps with appropriate signals can be used to indicate the location of strategic points, intensity of population outlets, types of individual, sales strength and other factors of importance in developing a marketing scheme.

STATISTICS IN FIELD OBSERVATIONS

The obtaining of statistics relating to field observations by either mechanical or hand tabulation already has been described. The reliability of these normally must be established in the same way as the reliability of any other statistics is established. The first question relating to reliability is whether a sufficiently large number of cases has been examined. The definition of the sufficiently large group is that it must be such that the results are typical and so cannot be varied by additional results obtained from any other similar groups. The method most frequently employed to ascertain when a sufficiently large group has been covered is to keep separate totals at intervals, say, of each 100 cases, and also a cumulative total. When the cumulative total proportion flattens out, then it may be assumed that a sufficiently large group has been considered. For example, in the table below a group of 500 subjects is just as satisfactory as one of 10,000.

Number in group. . .	100	200	300	400	500	10,000
Number using X product	63- 63%	124- 62%	195- 65%	260- 65%	324- 65%	6,509- 65%

THE FREQUENCY DISTRIBUTION

In considering social traits, these often fall into what is known as a "continuous series." This is, in theory,

capable of any amount of subdivision. Factors such as height and weight may be considered as being continuous. Actually gaps may occur in many series of these factors so compiled, but theoretically this is considered as being due to an insufficient number of instances having been covered. Where the range of the series is broken by disturbing factors, perhaps due to local peculiarities, such as possibly in the case of incomes, or factors such as physical measurements, these series are known as discrete or discontinuous. The majority of statistics used in marketing are discrete or discontinuous.

THE ORGANIZATION OF STATISTICAL DATA

Data in published books of statistics is usually arranged in such a way as to convey a certain meaning. It is often necessary to rearrange this material for special purposes.

The procedure in arranging statistical data may be divided into three steps. The *first* is the determination of the range. The range is the extent of the data and is represented by the difference between the smallest and the largest measures involved. The *second* step is the determination of the number of groups to be used in the arrangement of the data. These must be governed by the particular requirement of the moment. The *third* step is the tabulation of the separate figures within each of these groups.

When statistics have been arranged into a frequency distribution, the next step is to consider what are known as the "central tendencies." These central tendencies may be used in either or both of two ways. First a central tendency may be taken to represent the chief characteristic of the group, and secondly it may be used as a basis for comparing the characteristics of one group with those of another.

In statistics three measures of central tendency are used, (1) the average, (2) the median, (3) the mode.

THE AVERAGE

The average is the central tendency used most frequently in general statistical work. It is arrived at by adding together the total characteristics, such as income, height, etc., under consideration and dividing this total by the number of measurements involved. For example, if the total age of 100 persons is 2,964, then the average age is 29.64 years. Although frequently quoted in ordinary statistics, the use of the average is not usually helpful in marketing statistics.

THE MEDIAN

When statistics are arranged in order of size, the median is the middle point of the series. Its use in marketing statistics is not great except as a measure of "skewness" (see page 35). For example, in a series of 100 ages arranged in ascending order, the fiftieth age in the series represents the median age.

THE MODE

The mode is that point in a series of statistics at which the greatest frequency occurs. For example, in a series of 100 ages, the largest group may occur at the step 20-30 years. This point is the mode.

In marketing, sales policy is usually developed to reach the greatest number of individuals in any one group. These occur at the mode. Thus the mode is the most frequently used central tendency in marketing statistics. Its importance is greater than the average. The "average" income of a group, for example, is not so important to the marketing man as the income which the greatest number of persons within that group are receiving,

i.e. the mode. Hence in all marketing statistics the mode must be the central tendency used for either description or comparison.

THE NORMAL PROBABILITY CURVE

Statisticians claim that the normal probability curve describes the frequency of occurrence of many variable social characteristics of which certain are of importance to the marketing man, such as rates of birth, marriage,

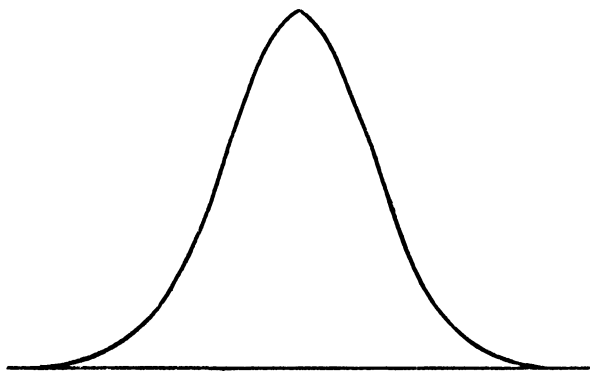


CHART V
THE NORMAL PROBABILITY CURVE

death, wages, output, prices, costs, height, etc. In the normal probability curve (Chart V) the average, the median and the mode all fall at the mid-point of the distribution. It is thus perfectly symmetrical. Any departure from this symmetry is a departure from the normal and to be anticipated condition of things.

THE CONSTRUCTION OF THE FREQUENCY CURVE

The construction of the frequency curve follows generally the same steps as have been outlined for the comparative line graph, except that the points are marked on the mid-point of each step on the OX axis. When these are joined, the resultant graph follows the shape of a

polygon. The total frequency of the facts presented are represented by the area of the polygon. The mode is easily located as the highest point.

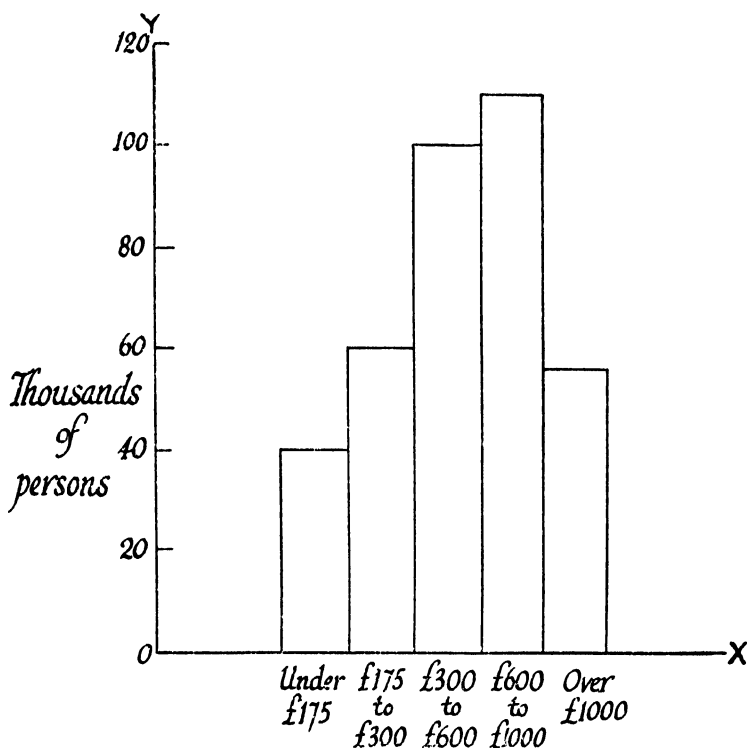


CHART VI
HISTOGRAM SHOWING THE DISTRIBUTION OF INCOMES WITHIN
A GROUP OF PERSONS

THE HISTOGRAM

A method admitting of more understanding in dealing with data relating to markets is the histogram. This is constructed in much the same way as the frequency curve, except that whereas in the frequency curve all the scores within a "step" are represented by the mid-point of the step, in the histogram it is assumed that all the

scores within the step are spread uniformly over the whole step. Thus the total of statistics represented in a histogram as occurring at any one step are contained in a rectangle with its base the entire step and its height equal to the frequency at that step. As with the frequency curve, the facts are represented by the area of the histogram.

Often it is not considered necessary to project the sides of the rectangles in a histogram down to the base line.

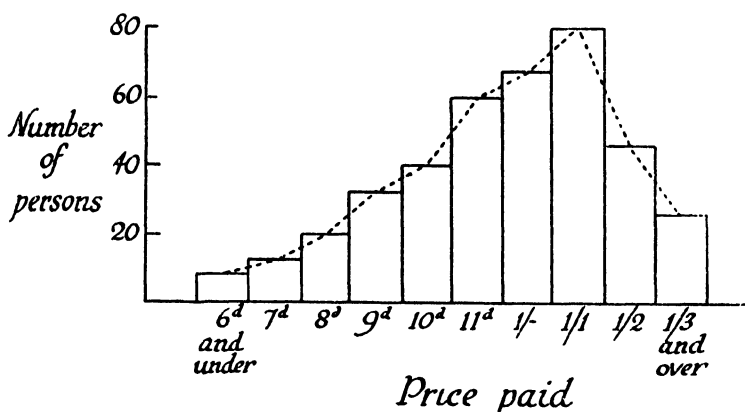


CHART VII

"SKEWED" CURVE SHOWING THE PRICES PAID FOR A PRODUCT
BY PERSONS IN A DISTRICT CONTAINING A MAJORITY OF
WEALTHY HOUSEHOLDERS

The frequency curve is not so accurate as the histogram in normal statistics connected with marketing unless a very large number of statistics have been taken. It also has the disadvantage of presenting a less "solid" appearance to the less statistically minded individual to whom it may be necessary to explain the facts it represents.

THE "SKEWED" CURVE

When abnormal factors operate in any group, the result may be that the statistics relating to that group

resolve into what is termed a "skewed" or unsymmetrical curve. Since the marketing man must take account of, and frequently is confronted with, the abnormal in the statistics with which he is concerned, a knowledge of the characteristics of "skewed" curves is of great importance to him. In a "skewed" curve the average, the median and the mode fall at different steps. "Skewness" is caused by the preponderating of some one characteristic in the series of statistics being considered. For instance, if a group of persons having large incomes is being considered in relation to the price they are willing to pay for a certain commodity, there may be a tendency for the distribution to be "skewed." Difference in "skewness" may be a means of measuring the differences between groups, although usually the simple graphic presentation is sufficient.

The "skewness" of a curve is measured by the formula—

$$\text{"Skewness"} = \frac{3 (\text{average} - \text{median})}{\text{standard deviation}}$$

STANDARD DEVIATION

Standard deviation is a statistical measurement of variability and is not frequently used in marketing. Its implications may be understood by referring to any standard book on statistics. It is computed most often from the average, but occasionally from the median or mode. First of all the deviations or variations from the average of all the measures in the frequency series under consideration are calculated. Each one of these is squared. The squares are added together and averaged, i.e. divided by the number of measurements involved. The standard deviation is then the square root of the figure arrived at in this way.

Expressed as a formula—

$$\text{Standard deviation} = \sqrt{\frac{\sum D^2}{N}}$$

where ϵD^2 is the sum of the squares of the deviations or variations from the average, or other central tendency, and N is the number of measurements involved.

BI-MODAL AND MULTI-MODAL CURVES

When a frequency curve has more than one mode it becomes abnormal. The normal frequency curve has

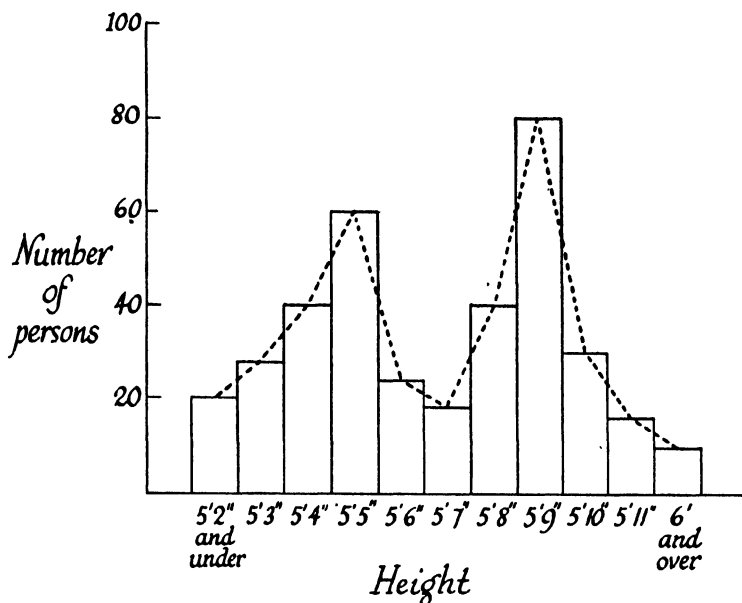


CHART VIII

BI-MODAL CURVE SHOWING THE DISTRIBUTION OF HEIGHTS
IN A GROUP OF MEN AND WOMEN

only one mode. However, when a number of different factors operate in a series of statistical data, these find expression in an abnormal curve with two or more modes. For example, if both men and women are included in a series of statistics, there will be a tendency for the curve to have two modes, i.e. it will be bi-modal. If children are included, it may tend to be tri-modal, etc.

The presence of a number of modes in a curve is an indication to the marketing man that a number of factors are operating in the group whose characteristics he is considering. He must seek out what these factors are.

CORRELATION

In considering various data the marketing man is often concerned with the relation between two series of figures. For example, it may be important for him to estimate the relation between the numbers of rooms in the houses in a market and the incomes of the individuals in that market, or the sales of certain fittings in that area. A rough method of comparison, and one that would be suitable for most purposes, is to chart the frequency curves of these factors and, placing the curves side by side, make comparisons. It may occasionally, however, be desirable to express this relationship in mathematical terms. The mathematical expression of the relationship of one series of factors to another series is known as correlation, or more correctly as the coefficient of correlation.

Should more complete information be required as to the theory of correlation, reference should be made to standard textbooks on statistics. For ordinary purposes, as affecting the marketing man, it should be understood that where a relation is fixed and definite the correlation is 1.00. For example, if the sales of electrical fittings in a market correspond and vary exactly and in direct ratio according to the number of rooms in the various houses, the correlation is 1.00. If there is no relation at all the correlation is 0, while if the relation is in complete inverse ratio the correlation is a negative one of -1.00. Thus coefficients of correlation may vary from -1.00 through 0 to 1.00, a positive correlation indicating a correspondence, a zero indicating an absence of any relationship and a negative correlation indicating an inverse relationship.

Normally coefficients of correlation occur at intermediate points, i.e. .35, etc. In actual practice the degree of correlation is seldom perfect. The intermediate values obtained must be interpreted according to how close they are to $+1.00$, -1.00 , or 0 .

The coefficient of correlation may be considered in either of two ways, according to the circumstances and form of the data to be correlated. If two series of statistics are to be correlated, the normal method employed is to use what is known among statisticians as the product-moment formula. This formula is concerned with the deviations of each group of statistics from its average and is expressed as follows—

$$\text{Correlation} = \frac{\epsilon xy}{\sqrt{\epsilon x^2} \times \sqrt{\epsilon y^2}}$$

where x and y represent the deviations from the average of the respective frequencies and $\sqrt{\epsilon x^2}$ and $\sqrt{\epsilon y^2}$ are the sums of the squared deviations from those averages.

The steps in the calculation of the coefficient of correlation by this method are as follows.

1. Find the averages of the distributions to be correlated.
2. Find the deviations in each step from the average and multiply by the frequency at this step (x and y).
3. Square these deviations to find x^2 and y^2 .
4. Multiply the corresponding x and y deviations and total to give ϵxy .
5. Add up the squares of x and the squares of y deviations.
6. Substitute the totals obtained in (4) and (5) in the formula—

$$\text{Correlation} = \frac{\epsilon xy}{\sqrt{\epsilon x^2} \times \sqrt{\epsilon y^2}}.$$

Frequently the marketing man will find it necessary to work with data which is expressed in order of merit rather than in graded frequencies. For example, a series of products may be ranked by a group of individuals in one way according to quality, and in another way by the same group according to appearance. It may be necessary to express the relationship between these two sets of rankings. The calculation of this relationship is done by means of what is described as the rank method of correlation. The rank method of correlation varies in reliability according to the number of cases included in the calculation. The most commonly used and practical method for the marketing man is the method of rank differences.

Example—

RANKING

Product	Quality	Appearance	D	D^2
A	1	2	1	1
B	2	1	1	1
C	3	4	1	1
D	4	3	1	1
E	5	5	—	—
F	6	6	—	—
G	7	9	2	4
H	8	7	1	1
I	9	8	1	1
J	10	10	—	—

The difference between each ranking is worked out and squared. The correlation is then computed by substituting in the formula—

$$\text{Correlation} = 1 - \frac{6\epsilon D^2}{N(N^2 - 1)}$$

where ϵD^2 = the sum of the differences and N is the number of cases included in the group.

Thus substituting in the formula $1 - \frac{6\epsilon D^2}{N(N^2 - 1)}$.

$$\text{Correlation} = 1 - \frac{6 \times 10}{10(100 - 1)}$$

$$= 1 - \frac{60}{10 \times 99}$$

$$= 1 - .06$$

$$= + .94$$

CHAPTER V

THE INTERPRETATION OF STATISTICS ¹

THE factor of costs—Factors affecting reliability—Extremes in interpretation—Statistics from field work indicate tendencies only—
The function of statistics

STATISTICS are invaluable as tools to those who know their application, limitations, and possibilities. When they become the playthings of the theorist they are dangerous and expensive luxuries. Statistics cost money to compile. Marketing, merchandising, and advertising plans based on them involve the spending of a great deal more money. It is essential, therefore, firstly, that statistics should be compiled, not for their own sake, but only so far as they will be of definite use, and then that they will be used with a full realization of their implications and limitations.

The writer calls to mind one well-known organization that prides itself upon the fact that at very short notice statistics relating to almost any aspect of its sales activity can be supplied. Grim humour may be found in the additional fact that the statistics supplied are rarely correct, and that many of the elaborate statistical compilations produced at great expense are seldom studied by the executives concerned—much less are they understood!

FACTORS AFFECTING RELIABILITY

One of the most obvious essentials of any compilation of statistics is that the data should be obtained and compiled following the normal principles of scientific procedure, and that all the controlling factors should be

¹ Subject to minor alterations, this chapter first appeared in *Advertising Display*, and the author is indebted to the editor for his permission to reproduce it.

noted and taken into account. A leading store published the fact that its sales for a period had decreased, while the number of actual purchases made by customers had increased. From this the management found some cause for self-congratulation by concluding that it showed there had been an increase in the number of customers patronising the store, and so an increase in goodwill in spite of difficult times. A more critical study of the position would have revealed that merchandise was being sold in smaller units than had been the case previously. For example, instead of customers purchasing a tube of toothpaste at 1s., they had begun to purchase a tube at 6d., returning later to purchase another when they required it. This increased the *number* of purchases made, but the number of customers *habitually* purchasing at the store actually had decreased.

With the increased number of small purchases, the cost of selling easily could have been increased by additional costs of attendance, packing, delivery, etc. Thus, instead of remaining satisfied with their sales position the management would have been wiser to make a careful study of the changing psychology of their customers and so endeavour to develop a new sales policy.

In another instance, sales of a well-known manufacturer suddenly slumped in a North of England area. The sales manager immediately concluded that the cause of this was a sudden lack of energy on the part of the representative. Some time afterwards it was found to be due to a religious prejudice against the manufacturer that had developed in a very short time.

These examples indicate that, however carefully statistics may be compiled, they must be considered always from the viewpoint that they indicate the bare *fact of a tendency*, and must be interpreted with a full realization of their limitations. They often represent a

summary of the human reactions to a set of circumstances. Even a small change in the circumstances or the mental dispositions of the individuals concerned will alter the figures. In other words, statistics must themselves be analysed to find out the various elements controlling their immediate presentation.

EXTREMES IN INTERPRETATION

An extreme example of reliance on statistics would be the marketing manager who reasons that, because a million people live in one area and a thousand live in another, then the former is the more promising market. He fails to realize that factors other than mere numbers are important. It may happen that 999,999 of those in the million group may react unfavourably to his product and may be of such a type that they will always do so, while 999 of the thousand group may be eager and willing to buy his product. The human element upsets the most careful conclusions of the statistician who relies on figures alone. Few of the published statistics now available have any real value to the marketing man as they stand, and without interpretation in the light of the many other factors operating to bring about the conditions they indicate.

Two adjacent towns having each a population of which, say, 5,000 individuals have an income of between £450 and £600 a year may appear superficially to present the same possibilities for marketing a certain product. A further analysis of the situation might reveal that in one town, "A," 90 per cent of the 5,000 have young families, averaging four in number, who are attending school, that 75 per cent are paying off mortgages on their houses, while 85 per cent are paying for their furniture on the instalment plan. In the second town, "B," 85 per cent of the 5,000 have grown-up families averaging three in

number, of whom all are working and so able to support themselves, 90 per cent own their own houses, while 95 per cent own their own furniture. Bearing in mind these additional circumstances, and their effect on the purchasing power of the family, and so on their attitude toward any product, "A" would hardly be as good a market as "B" for moderately-priced luxury products.

In the same way the average *per capita* purchasing power of an area can be misleading. A few extremely high incomes in an area can affect the whole statistical presentation. Thus, unless statistics are interpreted in the light of the people they represent and with a knowledge of their attitudes as determined by the circumstances and conditions under which they live, they become dangerous.

The most accurate, but also at times very inaccurate, information relating to consumer reactions and preferences is obtained as a result of investigation in the field. Questionnaires are often sent by mail and the small percentage of replies received have been analysed, and, on the basis of the statistical data obtained in this way, policies have been evolved and applied to the majority who have not replied, to say nothing of the large and perhaps typical groups to whom questionnaires were never sent. Enormous numbers of interviews are often paid for to provide an unwieldy mass of statistics when equally valid information could often have been obtained from a few hundred judiciously selected.

STATISTICS FROM FIELD WORK INDICATE TENDENCIES ONLY

At best the greater proportion of statistics obtained in this way can indicate nothing more than tendencies, which must be considered and interpreted in relation with all other pertinent data available. At worst, statistics

derived from field work can be extremely misleading. In obtaining data in this way a factor to be reckoned with is the reaction of the individual interviewed to both the interviewer and the questions being asked. Poffenberger describes how he asked 75 educated persons to write down a question which would aim to ascertain how much people usually paid for a pair of socks or stockings. He found that no two of the questions submitted were the same and that they all varied in simplicity, directness and length. It is conceivable that the statistical data obtained by using a different form of the question in interviewing 75 groups of people of similar type would vary according to the question used.

In a dusty town in one of the Dominions the question was asked: "What coloured car do you prefer?" A majority of car owners said that they preferred blue, yet this majority actually bought fawn-coloured cars, because the fawn did not show the dust. It was impossible to sell a blue car in the area! In conducting an investigation into the sale of merchandise in a district where no cut-price shops exist it is possible that a large proportion of the people interviewed would say that they would buy certain merchandise at cut-price shops if they could. Yet in a district where there actually are cut-price shops it probably would be found that only a small proportion of people purchase merchandise from them.

It will thus be appreciated that if statistics based on field work are to be reliable, then the questions must be carefully formulated and must ask not what people would *prefer* to do, or what they *might do* in a certain set of circumstances, but what they *actually are* doing in the present circumstances. No field investigation can go further with any degree of accuracy. Even when asked what they *are* doing, many people will not answer correctly, due to a desire to hide their real condition of

living. A housewife poor in pocket but proud of her social standing may reply that she pays a large sum for her silk stockings, whereas actually she purchases them at bargain counters.

Many field investigations aim to find out *why* people do certain things. Psychologically, as soon as people are questioned as to their motives for a course of action they begin to rationalize. Rationalization is a mental process resulting in the unconscious manufacture of reasons for doing things. The girl who cannot attract men usually does not say that the reason for this is her own imperfection but gives as the reason the fact that she does not like them, and so is not interested in attracting them. The drunkard says the reason for continuing his excesses is that if he breaks his habit of consuming alcohol his health will be impaired.

Out of a group of women who used a well-known brand of toilet soap the majority said they did so because it was good for their skin. None gave as their reason that they had seen it widely advertised as being used by screen stars. Asked why they did not use a certain product, another group of women in the majority of cases gave as their reason that they disliked the taste. Actually, very few of those interviewed could have sampled the product, because it had never been marketed in their district or in any other district to which the majority of them had access! Frequently valuable information *is* obtained by asking people why they do certain things or prefer certain products—but all information obtained in this way should be carefully checked by experiments and only used as supplementing other data.

THE FUNCTION OF STATISTICS

In the last decade the use of statistics for the purpose of internal control, and also for studying and estimating

markets, has become more and more general. As the science of marketing becomes more developed, so will the use of statistics become greater, but this use will be valid only so long as they are regarded as representing the summary of a set of circumstances. The prosaic digits in black print must be interpreted in the light of a complete knowledge of the mental dispositions and reactions of the people whom they represent. Unless compilations of statistics are used in this way with a full knowledge of their limitations, they become dangerous instead of being invaluable tools for the practical man daily confronted with problems whose solution results in a substantial increase in sales.

CHAPTER VI

PRODUCTION AND ITS RELATION TO DISTRIBUTION

SCIENTIFIC method and production—Modification of production to suit the requirements of distribution—Factors affecting the range of products—Rationalizing the range of products—Extent of the range of products—The elimination of duplication—Branded *versus* unbranded merchandise—Rate of manufacture—Manufacturers' retail outlets—Manufacturing by retailers—Manufacturers' experimental shops

THE application of scientific method to manufacturing processes has resulted in a system of production that is more economic from both the human and the material viewpoints. Studies of ventilation, lighting, and the reduction of fatigue have effected an economy in human material and effort; studies of routing, lay-out, and mechanical improvements in machinery have resulted in increased output. In the same way modern marketing studies what products should be manufactured, and what should be done with them once they are made.

MODIFICATION OF PRODUCTION TO SUIT THE REQUIREMENTS OF DISTRIBUTION

In determining what goods should be produced by the factories they controlled, executives of fifty years ago utilized a judgment that was shrewd as the result of personal experience. However, it often happened that the executive responsible for production, and on whose authority goods were manufactured, was a technical expert only. His contact with the sales side of his organization was small. He exercised his own judgment in the selection of products suitable for the market. If, in his opinion, the product conformed to certain standards

of quality, it was a "good" one, and so was manufactured. If he did not consider the quality, or the other technical features of the product, "good," it was not manufactured. More often than not, the technical man's "good" product had the least appeal to the most profitable market.

The sales side of an organization has a knowledge of markets. Each salesman knows what he can sell, that is what consumers in his particular territory require. Executives now review their range of production to some degree in the light of discussions at travellers' conferences. Consumers' reactions to products have become recognized as the factor of greater importance. Production has become more and more related to what the consumers require. It is now realized that the system of a technical executive being solely responsible for the items in a range of manufactured goods is unsound, as normally he cannot possess the necessary intimate knowledge of market conditions and consumer requirements. It is not his function to acquire this knowledge.

FACTORS AFFECTING THE RANGE OF PRODUCTS

Manufacturers always have been influenced in determining the range of their products by any one or all of the following factors.

1. The opinion of certain "experts" that the consumer requires the product. In the past the "expert" has usually been a technical man; now he is a marketing man with a full knowledge of consumer wants.
2. The fact that a competitor has been selling a certain type of product successfully.
3. The opinion that the consumer can be educated by advertising or other means to use the product.
4. The line is introduced experimentally to ascertain the reaction of the market. If successful it is produced in quantities, and, if not, it is dropped.

The majority of present-day products that have enjoyed any degree of long standing have been launched on the basis of the first of the four factors outlined above. An interesting analysis might be made of the many products that have failed in various markets because a technical "expert's" opinion of what people required differed considerably from the actual circumstances of the situation. In the past, money, effort, and time often have been wasted on production and distribution. In modern marketing a preliminary scientific and objective study by a marketing expert of whether the product is one that the consumer market requires eliminates the possibility of much of this waste.

The second factor of a competitor successfully launching a line and so influencing the manufacturer to produce a similar line has often been responsible for a flooding of markets, which has resulted in all the manufacturers concerned being faced with losses. Nowhere is this so noticeable as in the confectionery industry, where if one manufacturer produces a successful line a large majority of the others follow suit in a very short time.

The third factor, operating when the manufacturer considers he can educate the consumer market to use his product, in modern marketing practice is confirmed or otherwise by a scientific study of consumer habits before action is finally decided on. Unless this market study reveals a definite need on the part of the consumer, it is now realized that it is unwise to consider that publicity can develop a market. A campaign to educate the consumer is costly, and, in many instances, a long time may pass before returns begin to cover costs. Advertising can achieve a great deal, but, in spite of the many successes that can be quoted, it is generally recognized that the education of a market should only be initiated after a careful and scientific study of the possibilities.

The fourth factor, that of experimenting with a line to determine whether it will be ultimately a success, now constitutes a link in a chain of carefully formulated marketing policy. Many manufacturers launch experimental lines in test areas as the prelude to a national distribution for the one or two that may be found to be successful in the experimental stage. Each line eliminated in the experimental stage, while representing a saving in comparison with the situation were it distributed nationally without experiment, still represents a certain amount of waste. Before developing lines for try-out in test areas, it is now customary for a thorough preceding market research to be initiated with the object of eliminating the least promising.

RATIONALIZING THE RANGE OF PRODUCTS

The more far-seeing present-day manufacturer, first of all, rather than contemplate the production of new lines, surveys his existing range and endeavours to set this in order on a thoroughly economic basis. Many have found that the savings thus effected more than equal the profits anticipated from any new products they may have been considering.

Since the recent movement toward the reorganization of production, manufacturers have tended in a degree to rationalize the range of their products. They have standardized shapes, packings, and sizes, and so simplified production processes and reduced production costs.

A study of their range of products by many manufacturers has revealed that many items have duplicated the one with the other. The argument leading to this situation has been that, even if "A" and "B" are two similar products, the public necessarily does not realize that they are produced by the same manufacturer, and that, in any case, if either one were eliminated, the total

of its sales necessarily would not be transferred to the other. The fault lies in the initial policy that made it possible for two duplicating products to be distributed in this way. This policy has involved a dual cost in building up goodwill, whereas the same cost devoted to either "A" or "B" would have had a cumulative effect resulting in very much greater benefits. In addition, the costs involved in dual packing and other distribution costs existing with the duplication of "A" and "B" invariably have represented a considerable item.

EXTENT OF THE RANGE OF PRODUCTS

Another factor concerned with the range of the manufacturer's products is its extent. Manufacturers frequently have involved themselves in considerable additional production costs to cater for the idiosyncrasies of a few consumers. Such may represent a small increase in goodwill, but this invariably is swallowed up by increased production costs. Mass production cannot allow for the 10 per cent of consumers who are different from the majority. If a manufacturer wishes to produce for these, his production costs are increased. His distribution costs, as represented by packing, salesmen's time, and the cost of sales office and accounting routine in recording extraordinary sales, are also increased. The manufacturer working on a mass-production basis is forced to exclude rigidly from his list all products shown by market research and sales records not to be in demand by a sufficiently large number of consumers. If isolated individuals require a product outside the normal range, they must pay higher prices to obtain it from smaller manufacturers not operating on a basis of mass production, and who cater specially for them through speciality shops.

A tendency to cater for the wants of small numbers of consumers may be the result of the fact that they may

make their wants known more obviously than the larger groups. A small minority market may be quite a profitable one, but the larger manufacturer in particular exercises extreme discretion and considers carefully the costs of exploiting a minority market, and the number of other manufacturers already covering that market, before definitely spending any money on it.

THE ELIMINATION OF DUPLICATION

If a manufacturer is confronted with the problem of rationalizing the duplication of "A" with "B," it is logical to reason that if it is possible to achieve this without a loss in sales, savings will be effected in packing, in the salesmen's time selling two articles instead of one, in invoicing costs, etc. It is further reasonable to assume that if the products are, in general, identical, the problem is one of merging the separate goodwill connected with each other into a single entity. The goodwill most to be considered is that of the consumer. It is on consumer demand that the retailer books his orders. The process of unification must be a gradual one, and must consist of a transition in the packing and in the advertising. This does not involve that "A" is changed to "B," or that "B" is changed to "A." The ultimate result aimed at is that the outstanding and generally recognized features in the packing and advertising that consumers have associated with "A" should be combined with those they have associated with "B," to form a composite idea "C." When this transition is effected skilfully there is no resultant loss in sales.

BRANDED VERSUS UNBRANDED MERCHANDISE

The majority of manufacturers must consider the problem of whether they should supply "own brand"

goods to large organizations, such as wholesalers, department, multiple, or co-operative stores. In the grocery and drapery trades particularly manufacturers supply large wholesalers and other organizations with exclusive "own-name" brands which are known as "house lines." At the same time, these organizations also often distribute the manufacturers' standard branded goods. From the view-point of the retailer or the wholesaler the sale of "house" lines is desirable for three main reasons. Firstly, the margin of profit on "house" lines is often greater. Secondly, if the retailer advertises the "house" line, he advertises his own organization as well and does not give the manufacturer any so-called "gratuitous" advertising. Thirdly, the retailer can perhaps buy at cut prices and most certainly can charge what he likes for the "house" line, as the prices are not fixed by national advertising on the part of the manufacturer. The main disadvantage from the retailer's point of view, and one which he invariably overlooks, is that, in pushing the "house" rather than the branded product, he does not capitalize on the goodwill the manufacturer has spent considerable sums of money in creating for the branded line by national advertising. Although, at first sight, it may appear to be desirable to the manufacturer that he should book large orders for "house" lines, on analysis the manufacture of "house" lines is not economical. If a manufacturer produces large quantities of "house" lines for a distributor, he undoubtedly saves money by not having to advertise them. At the same time, he may have to supply them at keenly competitive prices. Further, should he happen to have a difference with the retailer or wholesaler in question, then some other manufacturer will be given orders to produce the "house" line in his place, and he will lose the corresponding volume of business.

On the other hand, should the retailer sell the

manufacturer's branded goods, even if a difference does arise, provided the manufacturer's advertising is effective. the retailer will be forced by the consumer demand so created to stock the branded line or lose a certain amount of trade.

The "house" line requires special packing and labelling and this involves the manufacturer in additional costs. Finally, the manufacturer spends a great deal of money in advertising and in employing salesmen to establish his branded line, but at the same time creates a competitor against his own branded line by encouraging "house" lines. This situation is illogical and may nullify a great deal of his efforts to establish his own branded lines on a national basis.

Thus, it is the aim of most large manufacturers to discourage the production of "house" lines, as being neither necessary nor economical. Difficulty is often experienced in convincing the larger distributors of this, for the reason that they prefer to buy at competitive and often cut rates. It is much easier for distributors to buy unbranded merchandise than it is for them to buy standard, branded, catalogue-priced merchandise at cut rates.

RATE OF MANUFACTURE

The ideal of manufacture is to produce at the same rate as the goods can be distributed to wholesalers and retailers. This involves a very accurate knowledge of the quantities required by distributors. Retailers do not wish to purchase stocks and have to keep them in store for long periods. From their point of view the more rapidly stocks can be turned, the more satisfactory the situation. This either involves selling large quantities very rapidly, as is the case with cash-and-carry stores, or else carrying comparatively small stocks and ordering as required from

either wholesalers or the manufacturer. In the past this has meant that manufacturers and wholesalers have been forced to keep in store sufficient stocks, from the point of view of both quantity and range, to meet any sudden demand. This has been particularly so in connection with goods having a slow rate of turnover. Now the larger retailer has developed systems of forecasting sales, and so is able to order ahead. This has enabled manufacturers to budget future requirements, and so regulate their production activities. The result in many cases has been that neither the manufacturer, the wholesaler, nor the retailer has had frozen capital tied up in stocks. There has been a saving in interest on the capital that would otherwise have been tied up in this way and a consequent passing of the lower costs on to the consumer.

MANUFACTURERS' RETAIL OUTLETS

Many manufacturers have developed retail outlets or speciality shops in which their own goods only are distributed. With certain exceptions this practice is often uneconomic. Unless in the case of "speciality" goods, it is not economic to devote one outlet to the sole distribution of one single line. Used to market "convenience" goods, the manufacturer's own shop may not be employed with greatest effect. The situation is similar to that when a machine that will do a great many things is purchased, but is only used for one single purpose.

Normally, it should be understood that it is the function of the manufacturer to produce, and the function of the retailer to sell to the consumer. Both should be regarded as specialists, each supposedly knowing all about his individual functions. Once either one is projected into the other, he is entering into territory where he is not a specialist, and the result easily may be unfortunate.

MANUFACTURING BY RETAILERS

Many larger retailers manufacture their own "house" lines, possibly because they consider they can produce these more economically than they can buy them from the manufacturer. It will be found usually that, in estimating the costs involved, the retailer has not taken into account certain overheads. On analysis it will be found that, usually, he cannot produce as cheaply as the manufacturer. The latter buys his raw materials in larger quantities, produces on a larger scale, and invariably employs much more modern methods. The retailer often pays very dearly for the privilege of stamping on his merchandise the caption "Made in our own factories."

MANUFACTURERS' EXPERIMENTAL SHOPS

Manufacturers entering the retail field with speciality shops selling their own lines tend to antagonize other retailers if they attempt to distribute to them as well. If they do not distribute to other retailers, it is frequently impossible to secure an adequate percentage of distribution. Many manufacturers control chains of shops which stock a complete range of merchandise, both their own and competitive. These may not generally be known as belonging to the manufacturer concerned. Chains of this nature often are used as experimental shops in which tests of various kinds are tried out. The results of many of these tests provide the manufacturer with valuable information which can be passed on to independent retailers. Experimental shops also may be developed with the primary object of ascertaining, from time to time, how certain lines are selling in competition with the manufacturer's own lines. They provide one way of obtaining first-hand information. Under these circumstances it is not a matter of great concern whether the experimental shop shows a profit or not.

Modern relations between manufacturer and distributor are developing to the extent that the former must help the latter more and more in the actual selling of his goods by assisting him with displays, supplying him with price tickets, and generally teaching him his business, so far as selling certain products is concerned. It is in his experimental shops that the manufacturer is enabled to test out the effect of various types of window display, new kinds of window ticket, new methods of counter display, new sales technique, new products, and so on, before passing them on to the retailer. Once a display, a product, or a sales technique has been tried out in the experimental shop, and its effectiveness proved, the possibilities of its success for national use among retailers is comparatively assured, and the manufacturer no longer will discourage retailers by passing on to them ideas, material, and merchandise that do not produce tangible advantages.

CHAPTER VII

BRANDS, TRADE-MARKS, AND TRADE NAMES

LEGAL implications and rights, and the use of brands in modern marketing—The manufacturer's, wholesaler's or retailer's name—Armorial and other symbolic identification—Brand names—Package and label designs—Group symbols—Country of origin

THE term brand is broadly applied to include all identifying marks such as trade names and trade-marks. A brand is the means by which a manufacturer, wholesaler or retailer seeks to identify his product with his organization and so assumes responsibility for its attributes. The brand is the means by which the purchaser can identify merchandise she is purchasing, or is about to purchase, with a manufacturer, wholesaler, retailer or country of origin. It enables her to know what she is buying. It protects her from the substitution of the products of other manufacturers. If she has purchased a brand of product, she is enabled to repeat her purchase if she likes the product or to select another brand if she does not like it. Subject to certain legal formalities, the trade names, trade-marks and brands of any particular manufacturer are his exclusive property and cannot be used by anyone else. Rights in regard to brands are complicated and can best be understood in their entirety by referring to legal treatises on the subject.

Modern marketing practice is based on the brand as a means by which a product can be identified and described by the consumer. Normally it is not the product itself that is advertised, displayed and sold, but the brand; it is not "tea" as such that is marketed, but X brand of tea with all its attributes. Brand has a particular significance in relation to the marketing of packaged products.

The whole question of brands is inseparably tied up with that of the package.

Brands, or the means employed by individual manufacturers or groups of manufacturers to identify certain products as being proper to them, may be divided into four classes—the manufacturer's name, the brand name of the product, armorial or other symbolic methods of identification, and package or label design. In addition a brand symbol or a plain statement of fact may be employed to show that the product has been made by a certain group of manufacturers, or else the country of origin of the product.

THE MANUFACTURER'S, WHOLESALER'S OR RETAILER'S NAME

The majority of manufacturers and many wholesalers and retailers prominently advertise and display their name in advertising, promotion matter, and on their product. The goodwill developed from advertising, display, and a good product, in this way is centred about the name of the manufacturer or distributor. In addition to his name, the manufacturer often includes on his package or product a symbol of some kind which may afford a further method of identification. The simple use of the manufacturer's name is often sufficient where a single type of product is being marketed. Where a variety of products are manufactured, the different items must be further differentiated by the use of brand names. Frequently goodwill is developed about the joint association of the manufacturer's name and the brand name—the latter indicating variations in brand or type of product.

Most manufacturers and distributors expend a great deal of financial and other effort on what is known as institutional propaganda, to establish consumers' and retailers' goodwill towards their own name.

ARMORIAL AND OTHER SYMBOLIC IDENTIFICATION

The method of identification known as the "trade-mark" probably had its origin in the custom of families adopting a coat of arms when they wished to distinguish themselves from others. This was a method of visual and pictorial distinction which has been transferred to merchandise. Frequently the symbolic trade-mark is a very effective means of identifying merchandise, and goodwill is developed about it in the same way as about the manufacturer's name. It serves the same purpose as the manufacturer's name, and may have more general application in the case of the illiterate rather than among potential consumers who are literate.

Although many trade-marks follow the principle of armorial bearings and have no relation to the product they serve to identify, the most effective trade-marks are those which represent either the product itself or else some characteristic either of the product or the organization making it. Thus the trade-mark of a tobacco manufacturer may be a tobacco leaf, that of an iron founder a forge, and so on. These are illustrative of the product itself. Where the trade-mark is representative of characteristics, strength as represented by a clenched fist may identify a brand of machine, health as represented by a picture of the sun may be the trade-mark for a health beverage, and so on. Other less effective types of symbolic presentation may be a picture of a bird as the trade-mark for a preserved fruit, a rose as the trade-mark for jam, and so on. Such trade-marks unrelated to the product or its characteristics have little direct meaning in association with the product. Often they may even be a disadvantage as in the case of the much-quoted example of Chinese purchasers, who thought that tins of fruit prominently displaying the trade-mark of a lion contained tinned lion !

BRAND NAMES

Where a manufacturer or distributor markets a variety of products of varying qualities, he may employ brand names to distinguish them. For example, a confectionery manufacturer may market "X," "Y," and "Z" assortments. He must first of all relate his own name and his trade-mark and the goodwill attached to them to the individual brands or varieties. The varieties must be distinct from each other so that each brand caters for a particular type of consumer. If this is not so, and one brand duplicates the other, there is no necessity for both. The principles involved have been discussed in the section concerned with the range of products in Chapter VI.

Just as trade-marks should be expressive of the product they identify, so should brand names convey to the purchaser something of the product they represent. "Lion" brand would be more appropriate to a strength-giving beverage than to a shoe polish, while "Relish" brand would apply more to a food than to a line of motor-cars. Not infrequently the brand name of a new product becomes the generic name for that type of product; for example, "Kodak" has tended to describe a camera, "Vaseline" a type of petroleum jelly, and "Pyrex" a specially manufactured ovenware. Companies such as these frequently go to great pains to prevent their brand names becoming a generic name and so unprotected by law. This is achieved by advertising "Vaseline" as a brand of petroleum jelly, "Kodak" as a brand of camera, and "Pyrex" as a brand of ovenware.

PACKAGE AND LABEL DESIGNS

Under certain circumstances package and label designs are regarded by law as trade-marks. They form a very valuable means of enabling the consumer to identify the products of a manufacturer. The actual package or label

design is often shown in advertising and other promotion material with the object of developing goodwill toward it in the same way as it is sought to develop goodwill about the manufacturer's name, his trade-mark, and brand name. In this regard it is important that all the package designs and labels employed by a manufacturer or distributor should have a relationship to each other, and that the entire range of package designs used should constitute a "family." This is discussed fully in Chapter VIII.

GROUP SYMBOLS

The use of group symbols has been developed more extensively in America than anywhere else. Most frequently groups or trade associations exist for price fixation or for collective bargaining with labour. Some such associations, however, have been broad enough in their view of marketing policy to extend their activities into the field of merchandising. In these latter instances the asset of being a member of the association has been capitalized by including in the advertising and on the product or its containers a symbol or a certificate which will identify and orient the product as being produced or distributed by a member of the association. Thus, in addition to the goodwill attached to the manufacturer's or distributor's own name, his trade-mark, and his brand, there is also the goodwill that has been developed in the mind of the public toward the group or association symbol, this latter goodwill having been developed by joint advertising and other forms of propaganda by the association as a whole.

COUNTRY OF ORIGIN

The principle outlined in relation to group symbols has been more generally employed in connection with the

marking of merchandise to denote the country of origin. In many countries it is compulsory by law that merchandise should be marked according to its origin. When patriotic feeling has been developed by propaganda to any marked extent, this aspect of identifying merchandise is very important. When national prejudice is favourable to certain countries, sales of merchandise from those sources tend to be stimulated. When national feeling is unfavourable, the opposite tends to result. Certain countries have good reputations for producing a certain type or types of merchandise; others have the opposite reputation, either as the result of propaganda, or else because of the general experience of users. Such national preferences and prejudices can be capitalized very effectively by the experienced marketing man.

CHAPTER VIII

PACKAGES AND CONTAINERS

THE function of the package in marketing branded goods—The package as a container—Containers for products in liquid form—Containers for products not in liquid form—The selling value of the package—The design of the package—The family of products—The illustration—Typography—The package as a sales aid—Adapting the package to suit retailer—Adapting the package to suit the consumer—Using the product—The size of the package—Size determined by use—The shape of the package—The colour of the package—Changing the package—Factors that make changes necessary—Testing the package—The Ullman check list

THE evolution of the package has benefited the manufacturer in that it has helped him to establish his branded product as distinct from that of his competitors. The more effectively a product is packaged, the more distinct is its identity, and the more effective is the display that can be made by the retailer. From the viewpoint of the retailer, the development of packaged merchandise has helped him to make sales more rapidly by enabling consumers to name the brand of product they require instead of sampling a whole range and then selecting the one they prefer. It has eliminated the waste that frequently accompanied weighing from bulk supplies. It has done away with frequent haggling over prices by substituting nationally known standards of price per package. It has saved time and expense in wrapping. Finally, it has encouraged the retailer to make an interesting and artistic display of the various packages in his shop and windows in place of the old-fashioned canisters and jars.

From the consumer's point of view, the packaging of merchandise has meant that goods of standard quality and quantity are available at standard prices. Well-packaged goods now reach the consumer, perhaps thousands of miles from the factory, in the same condition as when they were dispatched.

The evolution of the package has proceeded in two main directions. One has been in the relation of the package or container to the type of product and the use that will be made of it. For example, products such as "Bovril," "Vaseline" and coco-nut oil are sold in container with wide mouths so that they can be used most effectively. Tobacco is sold in flat tins designed to fit the pocket, whisky is sold in flasks curved to fit the hip, and so on. The second direction the evolution of the package has taken is towards decorative and aesthetic appeal. The evolution of modern packages has necessitated calling in the assistance of psychologists to determine the aesthetic appeal of colour combinations, lettering, etc. The package of twenty years ago was covered with a mass of small print difficult to read. The colour scheme, if any, was generally inartistic. The successful package of to-day tends towards simplicity and its design follows certain generally recognized laws.

THE PACKAGE AS A CONTAINER

The original function of the package was to contain or protect certain types of product. Originally, when purchasing vinegar, the housewife took a jug to the grocer and he poured into her jug a quantity from his bulk supply. Some grocers found it convenient to keep a supply of vinegar already packed for those customers who forgot their jugs. So began the practice of selling bottled vinegar. Medieval people used containers of earthenware to store the more liquid products. In Eastern countries containers of leather are still used. The discovery of glass by the Phoenicians opened up other possibilities. New methods of treating tin and paper have revolutionized package development.

The various types of packaged product may be divided into two classifications—the liquid and the solid. The

liquid product demands a container of material that will not permit it to disperse. The solid requires a packing that enables it to retain its moisture, its freshness, and its other characteristics. The materials used for containing the first of these types of product are earthenware, glass, tin, wood, and less frequently other metallic substances such as aluminium, silver, etc. Those used for the second type may be any of the above with the addition of paper and paper preparations, cloth, and such synthetic substances as cellophane.

CONTAINERS FOR PRODUCTS IN LIQUID FORM

Earthenware containers are the most primitive type. They still are used to a certain extent. The Chinese use earthenware jars for packing ginger. A well-known brand of German cheese is packed in beer mugs.

China jars are a modern development of the earthenware container. These possess the advantage of being opaque so that if it is necessary to pack a product that is likely to be harmfully affected by light, they are particularly effective. Some very successful containers have been made from china for products such as toilet requisites. China has also been found to be of advantage in packing such products as chemicals which are liable to attack any container that may be made of metal.

Under the classification of tin containers is generally included, among others, containers made of iron and other metals coated with a protective covering of tin. These, like those of china, have the advantage of being opaque, so affording protection from the ill-effects of light. Tin is not regarded as satisfactory for containing acid products, since these attack the tin. In the case of food products the action of acids may result in the formation of a poisonous compound. Recently tin containers have lost ground to china and glass ones. Frequently, instead

of tin, other metal compounds may be used to cover the iron base, such as aluminium or silver, etc., but all such containers have, in general, tended to become associated with the common "jam tin" and to be looked upon as being too humble and unattractive for articles with which any degree of style must be associated. The chief advantages of the tin form of packing are that it is light and not easily damaged.

Wood was another of the materials used in primitive types of container. It is still often considered an advantage to mature wines in wooden casks. Wood has been extensively used for "outer" packings where such are at all bulky. It has the advantage of not being very fragile, but it is difficult to create an attractive wooden container when such must be of small proportions.

Glass is a very popular material for containers. It has many advantages, chief of which are that it is cheap, it can be shaped to any design required, if necessary it can be made clear so that the purchaser can see the product she is buying, or, conversely, it can be made opaque or tinted to a required shade to protect the product from the ill-effects of light. The disadvantage of the glass container is its fragility.

Glass containers most frequently are used for perfumes and other subsidiary products relating to the toilet, and beverages, jams, etc. In other instances glass containers are used to protect the product from the moisture of the atmosphere.

Many other metals have been used from time to time for containing products of various types. Gold, silver, zinc, etc., have been used more or less infrequently as circumstances have demanded. Lead has been treated to form containers of the tube type for such products as tooth pastes, creams, and other semi-liquid products. Cartons made of specially treated cardboard or paper

have been used with some degree of success for containing cream, honey, ice cream, etc. Leather was used by the ancients for wines and still is used in isolated cases. Leather is, however, comparatively expensive and awkward to handle.

CONTAINERS FOR PRODUCTS NOT IN LIQUID FORM

The cheapest and earliest form of packing for products that are not liquid in form was the paper bag. It was in the paper bag that the housewife of last century bought the sugar, the salt, and the other "dry" products for her household. Paper formed a means of keeping the product in such a form that it could be readily carried from one place to another, so that other people could not see what the housewife was carrying, or, again, so that the product would not become soiled or damaged in any way. Frequently a tin container is wrapped in a second packing of paper. Brown has always been the popular and traditional colour for the crude form of paper wrapping, and still persists in the wrappings used by many stores. Brown paper has little individuality and is often varied by the use of more distinctive colours. One of the advantages of the brown paper parcel is its unobtrusiveness. The average housewife accepts as customary the necessity of carrying home a parcel wrapped in brown paper, but her objections to carrying parcels wrapped in newspaper are usually very violent.

The disadvantages of using ordinary paper are many. One of the chief is the fact that the paper in its ordinary form does not preserve the freshness of the product, so enabling it to retain its moistness, its flavour, or any other of the characteristics that may be demanded by popular taste. Another disadvantage of the paper package is that the product itself may absorb some of the odour or the

“taste” of the paper. A further drawback is that, if the quantity of the printing on the paper is at all great, the flavour of ink may be transmitted to the product.

The chief advantage of the ordinary paper package is its cheapness. Other advantages are that it is pliable and can be folded to any required shape, it is easy to print on, and is not fragile, although it can be torn. Paper also protects the product reasonably well against rough handling, soiling, or from the light.

The disadvantages attached to the use of paper as packing for products whose characteristics require that they should retain their freshness, etc., have been overcome by the use of foil, made from tin, zinc, or any other metal. The use of any particular metal for foil is usually determined by the price of the metal in the raw-material market. It is possible to colour foil to any shade that may be required, so that the basic material from which the foil is made does not matter a great deal. Besides overcoming the disadvantages of paper, foil has the advantages of being equally pliable and giving more weight to the package. This latter consideration is particularly important in the case of products such as tobacco, where the weight of the product in relation to its volume often is not very great. Foil is used extensively for packing confectionery because, in addition to preserving the freshness, it can also be wrapped round the product in such a way that the original contours are maintained.

Foil packages suffer from the disadvantage of being opaque. A modern tendency has been toward packing the product in such a way that purchasers can see what they are buying. For this reason glass jars have become very popular, but, on account of its weight and fragility, glass is not particularly effective as a packing for products that have to be carried about.

To meet the requirements of consumers who like to see

what they are buying and also to ensure that the container will preserve the freshness of the product inside it, the cellophane package has been developed. Cellophane has all the advantages of paper. It is transparent and light. It cannot easily be torn. It resists moisture and protects the product to almost the same extent that foil does. Flavour and the other characteristics of the product packed in cellophane may be effectively retained for long periods. Being transparent, cellophane suffers the disadvantage of not protecting the product from the harmful effects of light. It is also not rigid and so must be used in conjunction with some stiffening interior packing.

The use of cellophane for packages has developed in conjunction with the use of carton packings. An interior package of paper, cardboard, or metal is covered with cellophane. Cellophane is difficult to print on, but, being transparent, it enables the design of the carton about which it is wrapped to be easily seen.

Before the extensive development of cellophane for use in packing, parchment or other specially prepared paper was used in the same way to ensure that the product packed would be available to the consumer in fresh condition. Parchment often has been found to be less effective in achieving its purpose than cellophane, and so has lost its popularity to a great extent.

Cloth packing, such as hemp or jute bags, is used for protecting the more bulky type of product such as furniture, and also for bags of sugar, cement, etc. It has never been greatly favoured for the packing of smaller quantities of a product. It has the disadvantage of being unable to resist dampness unless specially treated. It is also unsatisfactory from the viewpoint of printing any elaborate design on it. The chief advantage is the effectiveness with which it protects any more fragile product against the effects of rough handling. It is, however, now

recognized that paper will do most of the things that are required of cloth, and it is significant to note that, whereas products such as cement were once packed in cloth bags, now it has been found more effective and cheaper to use specially manufactured paper for this purpose.

Cardboard to some extent has taken the place of wood in packing. It is equally rigid for all practical purposes, especially in connection with smaller articles. It is cheaper and more pliable. Cardboard is the basic material for the modern carton package. It can be manufactured in any colour or thickness that may be required, and lends itself to the reproduction of elaborate designs upon its surface.

Modern ingenuity has developed various novel types of packing, each one especially adapted for some specific purpose. One of the most ingenious is the "sanitape" packing that has been extensively used in marketing tabloid preparations. This consists of a tape in which the individual tablets are packed one by one. Each tablet can be torn out of the tape without disturbing the remainder. The tape is made of greased or waxed paper which protects the contents against moisture. The tape itself is folded and enclosed in a carton. This type of packing often supersedes the glass bottle. It has all the advantages of the bottle combined with the additional advantages of being cheaper both to produce and pack and being less fragile. The "sanitape" packing is claimed to keep the contents in better condition than a bottle can once it has been opened.

Gelatin also has often been used for containing types of product such as powders. It has, however, never become popular to any extent.

Many products have, from time to time, been packed in nothing but their own outside "skin." Cheeses from Holland have been merchandised in this way, so have

hams and meats. However, the design of the external "packing" is extremely limited under these circumstances, and the practice is falling into disuse with the more modern developments toward the enclosing of all products within some packing that is protective and, at the same time, attractive.

THE SELLING VALUE OF THE PACKAGE

Even with the general acceptance of the package by manufacturers as an improved method of marketing, it was still generally considered that the package functioned chiefly as a container. Twenty years ago the majority of packaged products were sold to the consumer without any conscious effort to present them in an attractive way. Many of the "stodgy" packages of pre-war days still continue to exist for the reason that manufacturers hesitate to change their package design lest they should lose any of the goodwill attached to it. The intense competition resulting from recent developments in the field of production has meant that manufacturers have been compelled to adopt measures to force their products upon the notice of the consumer. The primary aim in marketing has become that of influencing consumers to give the product a trial. A method of achieving this has been to develop a package for the product designed to force itself upon the consumer's attention in the shop where she makes her purchases. Then, by dint of sheer repetition of an outstanding package design, a proportion may be influenced to try the product. It must be remembered, however, that no matter how effective the package design, it can only influence the consumer to give the contents a trial. If the results of this trial are not satisfactory then the most effective package ever produced will do little towards influencing the consumer to continue using the product. Thus the package must convey to the

consumer in straightforward copy, printed in legible and, if possible, distinctive and individual type, exactly what the product is and what it does. It should be distinctive from packages containing similar competing products so that there can be no danger of confusion in the mind of the purchaser.

Many types of merchandise, such as tooth paste, are packed in an inner container which is enclosed by an outer packing. The inner and the outer packings should have each a definite function and, while there must be a continuity between the two, at the same time there must be no unnecessary duplication. It has been said that the function of the outer packing is to sell the product to the consumer and that the function of the inner packing is to keep the consumer "sold."

The older type of package contained enormous quantities of copy explaining how to use the product, etc. It has now been realized by most package designers that such copy fights for attention with the illustration and the other more important items on the package. Thus, the modern tendency has been to rely on illustration and perhaps a very small quantity of copy on the outer packing to give the potential purchaser the necessary momentary impression of the package and the product it contains. The potential purchaser does not have the leisure to read all the detailed copy that was contained on the wrapper of a generation ago, nor does any purchaser want to know all this detail until he has decided to buy the product and so to use it. Thus, the modern package design has included all the copy matter that used to be contained on the wrapper either on a special insert or else on the inner wrapping, following the theory that when the purchaser has the leisure he will be able to consult the insert or read the instructions for use on the inner packing. If it is not possible, or if, for some reason, it is considered undesirable,

to use either an insert or an inner packing, sometimes use is made of the back of the package on which to print detailed instructions, etc. This method has proved effective in that it leaves the whole face of the package free for the illustration and the other essentials.

THE DESIGN OF THE PACKAGE

The first important matter to be studied when developing the design of a package is how the retailer is going to keep it on his shelves and how he is going to use it in his window. If the package is such that it will be stored flat on the shelves, it is important that the brand and name of the product, at least, should appear on its sides in such a way that when the package is stacked in this manner it is picked out easily from other packages. If it is such that it will be stood up on end, then the design must be arranged so that the type can be read when it is in this position. If the package will be stacked lengthways, the general design must be arranged accordingly.

THE FAMILY OF PRODUCTS

The modern package is designed so that it fits in as part of the range of the manufacturer's products. Extending through the entire range of the modern manufacturer's products, there is some common distinguishing characteristic. Sometimes this may be only the trade-mark, at other times it may be the basic colour scheme, or, again, it may be some common peculiarity in shape. Frequently a common typography style is used throughout the range. Often the illustration may be the same throughout the range. Whatever the means, the aim is to establish the range of products as a unity so that purchasers can recognize each item as a member of the range, and so will be more easily able to judge the quality according to their

experience with the other individual items. Thus one item is made to advertise and recommend every other item that has the peculiar distinguishing characteristic of its family.

Finally, the lay-out must be expressive of the prominent characteristics of the product itself which it is desired to convey to the potential purchaser. This is achieved by the combined effect of the illustration, the typography, the copy and the name of the product.

THE ILLUSTRATION

Many packages do not contain an illustration. They rely for their effect on simple typography. However, the illustration often is important in conveying a message about the product, what it does, and how it is used. If it is omitted, the package loses some of its effectiveness, unless the product has been well established by extensive advertising explaining these things to the potential consumer. The package that does not contain an illustration simply functions in the same way that reminder copy does in Press advertising.

The illustration employed on the package may be of several types. The most effective type is that which shows the product being used. This is the most effective because it portrays action, and so stimulates the individual seeing it to action. A cake in the process of being cut portrays more action than just a piece of it. Soup being poured is more interesting than it would be in a more static condition. Peaches shown being served from a dish are more arresting than the simple illustration of a peach, and so on. The still type of illustration and the illustration that is unrelated to the product are gradually becoming displaced.

A type of illustration that has been proved to be effective in many instances is not directly related to the

product, but is introduced on the package to create an atmosphere which it is desired should be associated with the product. For example, packages of ice cream may be illustrated with scenes from the Arctic, packages of old-fashioned sweets may contain an illustration of a girl dressed in the style of many years ago.

Less effective types of packing are those which contain an illustration of the trade-mark only. The trade-mark should definitely be included within the lay-out of any package design, but, in itself, it is only important as constituting a link joining up the various individual items in the range. It usually is not made the predominating feature of the label or package unless it is desired to use the whole as a "reminder" only. Unless the trade-mark has been explained and established in the popular mind by extensive advertising, it cannot mean anything to the person seeing it. For example, a Chinaman seeing the trade-mark of a lion on a tin, if he had not been told to the contrary, might conclude that the tin contained cooked lion, whereas, if the package had been illustrated with an attractive picture showing peaches being served, he would immediately have gathered what the contents were.

Should individuals be shown on the package, one of the possibilities is that they may be shown dressed according to styles that are commonly recognized as obsolete. A package showing a society woman of five years ago would be regarded as being very much out of place. The purchaser might conclude that the contents are equally obsolete. If illustrations depicting fashions in this way are used, it is essential that they be changed frequently to be kept up to date. If it consciously is aimed to convey an idea of age to the purchaser, then fashions of many years ago must be chosen for the illustration which cannot then become out of date.

TYPOGRAPHY

If the package is to be most effective, the lettering on it must be such that the potential purchaser is able to read it. The lettering may be too small or of a kind that does not lend itself to be read easily, or else it may be printed in colours that do not stand out in contrast with the other colouring on the package. Some type-faces lend themselves to greater legibility than others. Generally, the simpler the lettering the more easily it can be read. The modern tendency in the selection of type has been toward the elimination of all fancy lettering that cannot be read at a glance. The lower cases of type are invariably easier to read than the upper cases are. That this fact has been appreciated by the advertising profession is shown by the tendency to use less and less upper-case lettering in Press advertising.

Attention Value of Type-faces. Some type-faces have greater attention value than others. The attention value of type can be increased by making it larger. A great deal depends on the attention value which it is necessary the lettering on a package should have. The attention value of the headlines on the package should be relatively great. Similarly, the attention value of the name and perhaps the brand of the product should also be great in comparison with the attention value of any copy that it may be considered desirable to include on the package. In the majority of cases care must be taken to ensure that the attention value of the headline or the name is not so great that it obscures the illustration. In other words, the attention values of all the items in the design must be appropriately balanced.

Type-face Associations. Each type-face has a certain individuality. Script suggests dignity and exclusiveness, Old English suggests dignity, Bodoni Bold suggests strength, while Antique Bold conveys the impression of

cheapness. The type-face appropriate to the particular product for which the container is to be used must be carefully selected.

Uniformity of Type Lay-out. Many package designers make the mistake of including too many type-faces in their lay-out. Usually no more than three should be used. Any more tend to make the general lay-out appear irregular and difficult to read. Sizes of type must be also kept as uniform as possible. The type must be lined up well to facilitate reading. If the lines of type start and end irregularly, their legibility is decreased accordingly. Legibility can be increased by using plenty of space between the lines. There should be at least as much space as type in any copy that might be included on the package. This rule does not, of course, apply to headlines which, however, should be as simple and brief as possible, rarely consisting of more than one or two words.

THE PACKAGE AS A SALES AID

The more modern manufacturer, on the basis of scientific studies of the markets for his range of products, will already have adjusted the individual characteristics of each one according to the persons to whom they are intended to be sold. In the same way as the product must be adapted so that it will be exactly what the consumer wants, so must be the package developed with regard to its size, shape, colour, design, and other attributes. If the package has not been developed in the same scientific way as the product has been evolved, then certain of its potentialities as a sales aid will have been wasted. The package is the first acquaintance the potential consumer has with the product, and, if it is not satisfactory, in all likelihood it will be the last. She will be prejudiced against even giving the product a trial. Now it is recognized that to have the correct

package is in every way as important as having the right product.

In close relation to the adjustment of the packing to the class of consumer to whom it will be sold is the necessity of adapting the packing to the type of outlet through which it will be distributed. If it is not adapted to its outlet, the package is difficult to sell to the retailer. The attributes of the packing must be considered both in relation to the consumer and in relation to the retailer.

ADAPTING THE PACKAGE TO SUIT THE RETAILER

The factors the retailer considers in relation to the size of the package are whether it will fit conveniently into his fixtures, and whether it is suitable for display purposes in his windows or on his counters. He is also concerned with whether the product is packed in convenient "outers" when he receives it from the manufacturer, and whether it can be easily wrapped when sold to his customers. As an example of the latter consideration might be cited a manufacturer who increased his sales considerably by wrapping the product in plain brown paper and enclosing the parcel so wrapped in an attractively designed cardboard carton. When the customer had made the purchase the shopkeeper removed the carton and handed her the wrapped parcel. Retailers preferred this method because it saved them the bother of wrapping.

A factor of importance that manufacturers often fail to consider is the quantity of the product contained within the "outer" as it is packed for dispatch from the factory. Frequently manufacturers pack in gross units, when the retailer prefers to purchase in half-grosses. This may result in the retailer buying similar goods from another manufacturer who will dispatch orders in more convenient quantities. Research among the trade indicates to the

manufacturer how many units should be packed for despatch within the "outer."

Many retailers in poorer-class districts break unit packings to suit the purchasing habits of their customers. Candles, soaps, powders, and such products, in addition to being sold by the box, are often taken out of the box and sold singly in the poorer localities. Manufacturers frequently may find it an advantage to make up their units of packing so that portions can be sold in this way.

ADAPTING THE PACKAGE TO SUIT THE CONSUMER

The factors important in considering the appeal of the package to the consumer are its size, shape, colour, the illustration, and the purposes for which the package or container will be used.

The size of the package is dependent on how much of the product the consumer normally uses within a convenient period, and how much is purchased at a time.

The shape is limited in part by the purposes to which the consumer puts the packing or container. For example, products normally used in the bedroom are packed differently to those used in the kitchen. Frequently consumers prefer one brand of product to another solely on account of the suitability of its container. Other products may be preferred because of some other appeal the container may have. Men often purchase a certain brand of chocolate solely because their lady friend may use the attractive boxes to keep her little odds and ends in.

Certain psychological considerations must be taken into account when determining the shape of a package. A well-known psychological experiment is that in which two objects are both of similar weight but of different size. The tendency is for subjects to estimate their weight as being different. Certain shapes of bottle give an illusion

of greater size than others. Certain proportions are more pleasing. Experiments have been elaborated to evolve the package or container that gives the illusion of greatest content, and, at the same time, is of the most pleasing shape and proportions.

The colour of the package is another important factor. Experiments have been developed to determine which colours have the greatest appeal to different types and sexes of people. National preferences and prejudices must be taken into account. For example, white symbolizes mourning in China, and so a package dependent on white for its appeal is greatly handicapped in that country. Certain colours are associated in the minds of certain consumers with certain types of product. For example, it has been proved by experiment that blue is suggestive of something medicinal, and therefore this colour is unsuitable for a glass container to hold a toilet preparation.

The immediate appeal of the package to the consumer is most frequently based on the direct purpose to which the packing will be put. Thus ingenious types of packing are frequently developed as containers by manufacturers, and often consumers are influenced to buy solely on account of the ingenuity of the container in relation to the purpose for which the contents are to be used. Normally, if the packing is necessary as a container or protector, the more definitely practical it is in relation to the purpose for which it has been evolved, the greater will be its success in appealing to the prospective consumer. The majority of packings that are primarily "protective" or "containing" must rely on their practical application. They may be decorated, as in the case of scent containers, but at the same time they must be practical. The less practical they are, the more wasteful they become in their appeal.

USING THE PRODUCT

If the package is to contain or protect the product, it must be of such a construction that it can be easily opened in order that the product can be used. Further, the package must be of such a type that, if the product is not completely used immediately the package is opened, the latter can be sealed up again so that the partly-used product can be put away and will continue to remain in the same condition as it was when the package was first opened. Older types of tin or glass containers did not take into account the importance of the facility with which they could be opened. Some manufacturers supplied special keys with which tins could be opened, while others supplied small corkscrews with which bottles could be opened. The great proportion of packages and containers approximated to the tin had to be prised open with an opener, or the boot polish tin that had to be forced open either by dint of much hammering with the blacking brush or with the aid of a knife. The old-fashioned bottle was sealed with a cork that could only be extracted after a great deal of manoeuvring with a corkscrew. The same difficulties were encountered with paper packages. The paper was tough and difficult to tear. A knife had to be called into commission to cut it. The general result of the older types of packing was that frequently a great deal of the product was wasted or spilt when the package eventually was opened. Beer bottles sprinkled their contents over the unfortunate delegated to the task of opening them. Cut fingers often testified to the clumsiness of the tin container, and flour on the floor made the housewife hesitant concerning the advantages of packaged flour.

The modern tin container now has a patent opener attached to it so that it can be opened with a twist of the wrist, and there is no longer the necessity to dread cut fingers or to search for the elusive tin opener. As examples

may be quoted the patented tins for boot polish, the special cutters supplied with the air-tight tins of tobacco or cigarettes, and the projecting flaps on other tins which, when pulled, open the whole rapidly and neatly.

The modern bottle container has a screwed stopper, or some patent cap that can be easily moved or replaced. The difficult cork has been relegated to the past, and, even where corks are still used, they invariably are fitted with tops that can be easily grasped. Bottles containing wines have stoppers which screw into them. Certain brands of spirits are in bottles with a patented cap, easily removable with the fingers.

The modern cardboard package is marked where it should be opened; the housewife is invited to tear off a strip or press on some appropriate spot, and the package will open. Or else the top of the package can be opened or closed by folding in the flaps. Other modern packages are made of foil that can be opened and folded up again as the product is used.

When the older type of package had been opened, the product it contained had to be used up quickly if it was at all perishable. Once the container was opened, it could not be closed again, and, if it could not be used all at once, the product was left exposed to deteriorate. The old package of breakfast food had to be left open on the shelf for the mice to run over it or else the whole emptied into another container. Before foil was used to any extent, half-empty cartons of tobacco and sweets were inconveniently carried about in the pocket. The new tins and bottles with their screw tops can be opened and then sealed up again as securely as they were before they were opened at all. The new cartons can be sealed up again, while the foil can be wrapped round tobacco and sweets to keep them fresh until they have been completely consumed.

The degree of ease with which a container can be opened, its contents used, and then sealed up again, has a powerful effect in influencing the potential user to purchase the product it may contain. If two products have the same advantages in the mind of the consumer so far as quality, quantity, price, and their other attributes are concerned, then it is the one with the most convenient container that will be preferred. The housewife will prefer the brand of flour that is packed in a container that will prevent her from wasting any of it. The smoker will prefer the brand of tobacco wrapped in foil that he can fold up after he has used some, to that wrapped in paper which opens out again and spills the contents in his pocket. The drinker will prefer the beer that he can seal up in its bottle after he has used one glassful and so keep the remainder in good condition until next time.

THE SIZE OF THE PACKAGE

The manufacturer is limited by law to stating on his package what weight it contains. However, he is not prevented by law from making his package appear to contain as much as possible. Other things being equal, the consumer usually will tend to buy the package that appears to contain the most, and is usually uncritical of the actual contents as measured by weight.

This being the case, the modern manufacturer must attempt to give as impressive a conception of quantity to the consumer as it is possible to do. He may wrap his product in heavy foil if for no reason other than to give the package additional weight. He may pack the product itself loosely, as manufacturers of many brands of tobacco have done. Or again he may fill some of the space in a carton with shavings, ostensibly to protect the product packed, but probably with the object of making the whole look larger. Other devices employed are the use of many

layers of wrapping, the use of thick outer wrappings such as thick cardboard, etc., or else the extension of the edges of the wrapping or container as in the case of chocolate boxes or ounce packets of tobacco.

Certain psychological factors may be utilized to increase the apparent size of the package. For example, some shapes and proportions appear larger than others.

An important factor that the manufacturer takes into account in developing the package for his product that will give the impression of greatest size is that he must not disappoint the consumer or convey the impression that he is consciously endeavouring to persuade the customer that the size of the package is larger than is actually the case. As an extreme instance might be quoted a case of a well-known brand of scent. The manufacturer sold this at a price which investigation had shown to be the right one. However, he marketed his product in a large bottle, the glass of which was extremely thick. The amount of scent one appeared to receive out of such a large bottle seemed absurdly small. Actually what happened was that the opposite illusion to that intended by the manufacturer was created in the mind of the user. Contrasting the amount of scent obtained with the huge size of the bottle, the quantity appeared much smaller than actually was the case. The result was that consumers considered themselves as being cheated, and so, although the large bottle undoubtedly influenced them to buy it once, they did not do so a second time. The same effect has often been created by the marketing of chocolate in boxes that give the impression that the contents are packed in two layers. Instead, underneath the top layer there is found only a thick layer of shavings. The result has been that the consumer has been disappointed at not finding in the package what its size has led her to expect. Her future reaction is to buy a smaller box of some other brand

which does not disappoint her to such an extent. The same might be said of many of the glass jars in which it is the current practice to pack fish and meat pastes. Obviously, the contents are expensive and a great deal cannot be given for the price charged. However, in many instances the consumer would undoubtedly prefer a thinner type of jar because then she would be able to gain a better idea of the quantity she was purchasing rather than think that she was purchasing a much larger quantity than was actually the case.

SIZE DETERMINED BY USE

Beer is sold in pint bottles and sometimes in as large quantities as barrels, but scent is sold in much smaller quantities. It is doubtful whether, even putting aside considerations such as price, as great a quantity of scent would be sold if it were invariably packed in the same units as beer. The chief factors affecting the size or quantity of the product that should be sold to the consumer as units of purchase are: how it is used, how frequently and when it is used, how much is used at a time, how much is bought at a time, and how long various quantities last. These factors are determined by scientific investigation among the consumers and the trade.

How the Product is Used. The importance of taking into account the various ways in which a product is used, when considering the size of the package and the quantity to be contained in it, may be appreciated by considering once more the cases of a bottle of beer and a packet of tobacco. Tobacco is carried about in the pocket. The majority of men at some time or other carry about with them the packet as they actually obtain it from the shop. Thus, the packet or tin of tobacco that will meet with the most popular acceptance is the one that can be carried about in the pocket. Beer, on the other hand, is drunk at

home or at the inn and is not normally carried about in the pocket, so it is not essential that beer should be packed in bottles that can be readily carried about in this way. On the other hand, whisky is frequently carried about in the pocket, and special bottles designed to be conveniently carried have met with a considerable degree of consumer acceptance. Similarly, expensive soaps used for ladies' toilets must be packed differently to those for common household use. The soap for ladies' toilets must be small and daintily packed. It is immaterial whether household soap is packed in larger sizes; in fact, the larger size may be regarded as being more economical and so to be preferred. The scent to be carried in the handbag must be packed in smaller, daintier bottles than those to be hidden in the recesses of the cupboard. The containers for talcum powder to be used in the bathroom may be larger than those to be kept on the dressing table and so on.

How Frequently and when the Product is Used. The frequency with which the product is used affects the size of the package necessary in so far as, for example, a patent medicine that must be taken four times a day should normally be packed in a larger container than one that is only to be taken once daily. The package must thus be of such a size that supplies do not run out too frequently and yet, at the same time, so that there must not be too great an interval between the purchase of one package and the next one.

The time or occasion when the product is used is also of importance in determining size. For example, cheese to be taken with a workman's lunch could, conveniently and usefully, be packed in small units so that a unit could be taken with each day's lunch, while cheese to be used for cooking purposes only, and so not getting beyond the kitchen where it is used in larger quantities, might be

packed in larger containers. Crackers to be used at large house parties should be arranged in larger containers than those which are developed for use at small family parties.

How Much of the Product is Used at a Time. If only small quantities of the product are used at a time it follows that less will be used over a certain period, and that, if it is packed in large containers, there is danger of wastage or of it losing its freshness. Concentrated essences must be sold in smaller containers than other types of essence that are less concentrated. Preparations that are used by the drop should not be packed in pint containers. Saccharine is not sold in pound cartons like sugar, nor is rouge sold as a rule in large packets like face powder is.

How Much of the Product is Bought at a Time. The quantities of any given product that are purchased at a time are determined by the purchasing power of the particular group or type of person buying it. For example, cabmen buy matches by the single box, while persons in the higher income groups buy their matches by the dozen. The millionaire may buy his wine by the case, while the artisan buys his beer by the bottle. The working man's wife buys her flour by the pound or even the half-pound, while the rich man's housekeeper purchases it by the large bag. The small boy buys his chocolate by the penny-worth, while his elder brother may buy the sixpenny slab. The size of the packing must be adapted accordingly. Should the size be too large, its price is beyond the purchasing power of a market to which it may be specially developed to appeal, and its success will be jeopardized.

How Long Quantities of the Product Last. If the product under consideration is of a perishable nature once the container has been opened, it is desirable that its size should be limited to that which will hold sufficient to last for just the period within which the product will remain in good condition. Products such as cream and

milk should be packed in containers holding just sufficient for a very short period. Manufacturers of yeast to be taken for health purposes market their product in small containers sufficient to hold a day's supply. Their object has been to educate consumers to purchase daily and so make sure of always obtaining fresh supplies. In the same way, wines have been packed in bottles holding sufficient to fill one glass. On the other hand, articles of a less perishable nature can be enclosed in larger containers holding larger quantities without any great deal of difficulty or disadvantage. Soaps, washing powders, writing paper, and such products are normally packed in larger units if other factors indicate the desirability of this course of action.

The Tendency Towards Smaller Units of Purchase. The tendency has been now for some years towards purchasing smaller quantities of a product at more frequent intervals. Sensing the contraction in the family purse, the modern manufacturer has tended to pack his products in smaller sizes retailed at correspondingly lower prices. For example, tooth paste, once only obtainable in tubes retailed at a shilling or more, is now marketed in sixpenny tubes. If the manufacturer conscientiously packs half the shilling quantity in his sixpenny container and the consumer buys only two of the sixpenny tubes during the period in which he previously bought one shilling tube, the manufacturer loses to the extent of the extra packing costs involved. If, on the other hand, he packs less in the smaller size than would be represented by half the large size, then the consumer may discover that two of the smaller sizes do not last so long as one of the larger, and there may be a swing back to the latter so that the original object of the development of the smaller packing will have been defeated. The only justification for producing a smaller size is in order to introduce it to a group

of consumers whose income does not normally allow them to purchase the more expensive larger size, in the hope that they may become educated to the use of the product and so may turn ultimately to the larger size. If a larger size has been a failure for any reason, such as being too high-priced for its market, some degree of success may be obtained by the introduction of the smaller size. An example might be quoted in the case of some face creams which have found a market among certain groups of people when packed in sixpenny tubes, whereas, perhaps, these groups would normally be unable to purchase the higher-priced larger sizes. Another instance is that of a well-known brand of cigarette which sells very effectively in very small units, while its sales in larger units are not so general among the lower groups of consumers. It is of particular interest to note, however, that many other brands of cigarettes have been experimentally packed in the same small units but have not, as a rule, found any general acceptance.

THE SHAPE OF THE PACKAGE

In determining the shape of a package or container three factors are taken into account. Emphasis may be laid on any one or all of these. The factor upon which the greatest emphasis is laid most frequently is that of utility. This factor is most important in relation to the great number of products used in everyday life and commonly recognized as the necessities of life. The second factor, the decorative, applies to those products and their packages that are normally regarded as luxuries, although the decorative factor also operates to some degree in connection with the packages and containers used for utility products. The utility factor similarly operates to a certain degree in connection with those products in the luxury group. The third factor of novelty

operates less frequently, and under this heading may be classified all those types of packages that are abnormal. Novelty packages have greatest appeal in relation to products that are designed to be bought for the purpose of giving them away, such as gifts for Christmas or other special occasions. Their greatest appeal is in their novelty. While their utility value also may occasionally be great, normally the opposite is the case. Their object is to persuade the purchaser to buy more on account of the package itself rather than on account of any specific merit that may be attached to the product contained in it. Under these conditions it will be appreciated that the object of the novelty package is usually not to create goodwill in relation to the product itself, as must be the primary object of the other two types of packing. More often than not, the importance of the quality or the other characteristics of the product contained in it is not great. Novelty packages, too, must be changed very rapidly if they are to achieve any degree of success, for the reason that once they become at all general they cease to attract and to influence the purchaser as novelties. Thus, the development of the novelty package is expensive in comparison with the cost of the utility and decorative packages.

The Utility Package. Two main considerations operate in the development of a package or container that has for its main object the utility appeal. The first is how the product is used, the second is where it is used. A third consideration of somewhat lesser importance, and arising in some degree from the two former, is the type of product that is being packed.

Shape as Affected by How the Product is Used. The way in which the product is used is important in relation to the shape of the product itself, or to its container, if the product is a liquid or powder. It may not affect the shape

of any outer wrapping to such an extent. Several well-known products may be quoted as examples to illustrate the importance of determining how the product is used before proceeding to develop a satisfactory shape for its container. Face creams are most frequently taken out of their jar containers by using two fingers. Thus, they must be packed in containers with wide openings so that the two fingers can be inserted without any difficulty and reach to the bottom of the jar when it is almost empty. Similarly, boot polish is taken from the container most often by using a comparatively broad brush. Thus the boot-polish container must be relatively shallow, and, at the same time, wide enough to allow the brush to reach the bottom when the supply is drawing to an end. Where products are packed in bottles but are of a powdery or semi-viscous nature, their containers must be sufficiently wide-necked to permit the insertion of a spoon. This principle has been followed in designing bottles to contain powdered baby foods and also semi-viscous products such as honey.

If the container must be held in the hand while the product is being used, it is essential that it should be shaped accordingly. If the container is a bottle or a tin it should be of such dimensions that it can be grasped quite easily. This principle must be followed in designing containers for such products as scents, talcum powders, tooth pastes, household utilities, shaving soaps, and so on. A scent bottle that the housewife cannot hold easily in her hand will not meet with her approval. If a man cannot hold his shaving stick securely he is not going to be favourably disposed towards it. If the housewife cannot hold the tin that holds her insecticide while she sprinkles it about, then she will buy some other brand that can be held more easily the next time she orders a supply.

If the product must be kept stored in its container, it is important that it should have a wide base and not be top-heavy, so that it will stand on a shelf without falling over. If the product is such that it is carried in a man's pocket then the shape of its container must be adjusted so that it will lie flat and not bulge too much. If the product is to be stored in small places its container must be shaped so that this can be achieved in the most effective way.

In the same way the shape of the product itself must be considered in the case of many more solid products, such as soap, chocolate, and so on. The two leading brands of soap on the market to-day are shaped in small cakes with smooth corners so that they can be readily held in the hand, and so that they do not "scratch" the skin when they are first used. Several other soaps have sharp corners which "scratch" the skin uncomfortably when they are first used. At the same time, the cakes are often of such a size that they are difficult to hold in the hand until they have been used for some time. The confectionery trade has produced a vast range of products generally classified under the heading "count lines." These have their greatest appeal to young children, yet a large proportion of them have never been successful for the reason that the child finds them difficult to hold as they are being eaten. The convenience with which it can be held has contributed in no small degree to the great success of the chocolate bar. The same principle applies to biscuits designed for table use, and a variety of similar products.

Shape as Affected by Where the Product is Used. Where the product is used becomes of greater importance in relation to the decorative aspect of packaging. However, bottles of ink to be used in infants' schools must obviously be of a shape designed so that they cannot be easily

capsized. Capsules of chemicals used by a dentist and kept in racks with holes bored in them must be shaped accordingly. Soap to be used in a laundry can be packed in large bars or cakes, while soap used in the kitchen and kept in a container over the sink must be made in smaller cakes. Polish used for metal in the factory must be packed in a different container to that used by the housewife for her household silver, and so on.

Shape as Affected by the Type of Product. The development of containers shaped so that they are particularly adapted to the way in which various types of product, liquid, viscous, and powder, are used has already been discussed at some length. Proceeding a step further, the actual characteristics of the product itself frequently influence the design of its container. As an extreme example, gases stored at high pressure are usually contained in cylinders with rounded edges. Another example is that of wines which are left to mature for any long period. It is claimed that the bottles with pushed-up bottoms have the advantage of collecting the sediment more readily, and also have other beneficial effects on the wine as it matures. Similarly, the containers of face creams usually have rounded bottoms inside so that quantities of the product are not wasted by being left in corners.

Shape as Affected by Who Uses the Product. Aesthetic appreciation of various shapes varies according to the sex of the individual concerned. Women prefer something dainty, while men prefer something more sturdy in shape and general design. Men lean more toward the utility aspect, while women tend to prefer the more essentially decorative. The containers of toilet requisites found on the bachelor's dressing-table vary greatly in shape and design from those found on the common dressing-table of the married couple. Similarly, the social grade of the

individual affects the shape of container preferred. The containers on the dressing-table of the woman living in Hampstead differ from those to be found in Bermondsey. The higher the social grade the greater will be the extent of the individual's education in aesthetic values, and so, in general, the greater emphasis will be laid by the higher social grades on the aesthetic value of the shape of the container. In the lower social grades the tendency will be towards something that is perhaps more obviously blatant and suggestive of quantity rather than quality.

Decorative Value of Shape as Affected by Where the Product is Used. Products such as those that must be kept at hand and not stored away in cupboards must have containers that are attractive to look at. The scent to be kept at hand on the dressing-table or in the handbag must be packed in a more attractively shaped container than that which is kept in the drawer out of sight. The rouge container that is always kept at hand for use in the handbag must be attractively shaped. Similarly, the preparations used for the mistress's bathroom must be in differently shaped containers to those in the servants' bathroom. Biscuits served in their containers at afternoon tea must be packed in containers specifically designed for this purpose, as opposed to those necessary for biscuits which are kept stored in the pantry and served loose.

THE COLOUR OF THE PACKAGE

Colour is most important when considered in relation to the general design of the package. There are, however, certain factors that may be taken into general account when considering the relation of colour to the package as a whole and to packages generally. These may be classified under two headings, the first relating to the technical aspects of colour and the second relating to the psychological factors operating in the use of colour.

The Cost of Colour Printing. The cost of printing a package in colour is greater, in proportion to the number of colours used, than that of using simple black and white. Each additional colour involves additional cost, so that the tendency is to use as few colours as will be consistent with maximum effectiveness. Frequently a great deal can be saved by colouring the paper on which the design is printed and using this as one of the colours of the design. In the case of tin or other metal containers, the container itself may be lacquered in either gold or silver and this is utilized as one of the colours of the design. Designers of packages can save in production costs by bearing in mind the cost of using a great many colours, and remembering that equal effectiveness can invariably be achieved by using very few colours.

Containers Made from Coloured Materials. Particularly where it is necessary to use glass for the container, the material from which the container is made often must be such that it will prevent harmful rays of light from affecting the product. Magnesium preparation, for example, if packed in a glass container, is best protected if the glass is of a blue colour. This necessity imposes some limitation upon the colour of the package. On the other hand, the glass or china of the container often is specially manufactured in some particular colour for no reason other than to afford contrast with the label. This practice has achieved some very effective results in the case of ointments and lotions. At other times, the product itself is of such an unpleasant colour that it is necessary to colour the glass container in order to hide this fact. Conversely, many products are, themselves, of a very attractive colour, and in these cases the container may be transparent. Many perfumes are packed in transparent glass bottles. Highly-coloured confectionery is sold in cellophane bags, and so on. Frequently, the container

is coloured to give a representation of the product inside. Jars for face cream are made from white china, tins containing tobacco are coloured to represent tobacco, and even inks may be contained in earthenware jars of material coloured to the hue of the ink they contain.

The Danger of Too Much Colour. More especially in the case of products that are wrapped in simple paper packings, there is the danger that if there is too much colour on the wrapping, the amount of ink necessary for printing will be so great that the flavour of the product inside will be affected, and after some time the entire contents of the package will taste of printers' ink. If a great deal of colour is considered to be indispensable to a package, then it is essential that the contents should be enclosed in foil or some other material that will prevent the taste of the ink from being transferred in this way.

The Reproduction of the Artist's Design. Not infrequently artists produce elaborate package designs that look very effective in the form in which they are presented. However, when these designs come to be translated into effect by the printer, difficulties arise. An artist may produce a most effective design made up of gold lettering on a black background, yet when the printer comes to reproduce this the result is not so effective as the artist intended it to be. To secure the best results the artist should have a comprehensive knowledge of reproduction processes and their possibilities. Under these circumstances, he will be able to direct the printer how to translate his creation into the many million reproductions that may be necessary.

In translating the artist's design into effect, the quality of the paper or other material from which the package is made must be considered. If coarse paper is to be used, it is of little use for the artist to develop a detailed design and colour scheme that cannot be reproduced except on

the finest quality material. There are further limitations imposed by the quality of ink that is available. Ambitious art directors often develop brightly-coloured designs that cannot be achieved by using the inks that the printer has at his disposal. The result is often disappointing to all concerned. The art director and the production manager should insist on colour proofs being submitted to them, and, where the type of package justifies such a course, they should insist on only the best quality of inks being used. Another difficulty often encountered in colour printing is the register of the colours. The more colours that are used, the greater the number of plates that have to be made. If these are not made with the greatest degree of care and accuracy, the whole effect may be spoilt by faulty register.

The Effect of Artificial Light. Most packages and containers are displayed under artificial light at some time or other. This may result in effects very much different to those which the designer had in mind. In developing the colours for a package, some thought must be given to the result when they are seen in various kinds of artificial light.

Faded Colours. Most packages and containers are shown in shop windows. Often strong sunlight shines on them and fades the original colours until they are scarcely recognizable. This may be due in the first place to the use of inks that are of poor quality, or else the colours the art director has selected may be such that they fade more noticeably than others. The package designer should know which colours fade more readily than others, and what the general effect will be on his design when once the colours have started to fade. If they all fade to the same degree, then the result may not be bad, but, if a red turns to a brown, and a green turns to a straw colour, the combination will lose a great deal of the intended effect.

Protecting the Colour. The designs on many packages are protected from rough handling, soiling, and the effects of the weather, sun, etc., by the whole either being varnished with some preparation specially made for this purpose, or being enclosed in a cellophane wrapping. These methods have proved satisfactory to some degree and frequently have the added advantage of giving additional lustre to the colours printed underneath the varnish or the cellophane wrapping.

The Interest of Colour. Some theories of the evolution of colour vision in man postulate that the first sense to be developed was an appreciation of black and white. Subsequently, receptors for the appreciation of red and green and blue and yellow were developed. Earlier package designs were mostly in plain black and white. Modern packages are often brilliant masses of colour. The coloured package awakens in the individual a greater amount of interest than if the same object were just black and white. Colour has more meaning for the individual. Red means danger, green means he can go ahead on the road, white is a symbol of joy in certain countries, and yellow symbolizes the unpleasant in others. Psychological tests have proved that coloured objects, coloured advertisements, and coloured packages have more attention value than those executed in black and white.

The attention value of various colours and colour combinations varies. This may be tested by using apparatus known as the Tachistoscope, which, in brief, consists of a timed shutter which exposes the matter being studied to the subjects for a known period.

Psychologists are agreed that certain colours appeal to one sex more than to the other. Racial differences in relation to colour are much more marked than the differences of the sexes. For example, primitive peoples are greatly attracted by bright reds.

The Importance of Colour Associations. The ideas associated with colours by groups of individuals may have unexpected effects on the extent to which a package embodying them is successful. A toilet preparation packed in a blue bottle, although an excellent preparation, marketed by a firm of good repute, had disappointing sales. Investigation revealed that women associated the idea of chemicals and medicine with the blue bottle, and so could not be persuaded to try the product. The colour of the container was changed and sales then became most satisfactory. As other examples, white in England always implies cleanliness; hence face creams and many other similar products are effectively marketed in packages in which white is the predominating colour. Blue frequently stimulates an impression of coolness, green freshness, red and orange warmth, and so on. Yellow is perhaps the most unpopular and generally disliked colour, unless its use has been very judicious. The reason may be that yellow is usually associated with cowardice. We speak of a yellow streak, a yellow dog, and so on.

In developing any colour scheme for a package design it is important to test out the whole on a group of typical people who are likely to be potential users and in this way ascertain their reactions to the colours used. The ideal colour combination in a package should be directly associated in the popular mind with the type of product the package is to contain.

CHANGING THE PACKAGE

Many manufacturers hesitate to change the design of their packages. They contend that, as the result of a long-established acquaintance which the consumer may have with a peculiar type of package, it would be detrimental to make any change. Some manufacturers have changed their package and experienced severe decreases

in sales; others have launched completely new packages and the sales have increased enormously.

No package design should be changed for the sole reason that a change might appear to be appropriate. Changing the package design is expensive, often involving considerable changes in factory plant. The most effective way in which it can be determined whether any change is necessary is to test out the package against its competitors. When the tests indicate that the package compares unfavourably with its competitors in any respect, then it should be changed along the lines indicated by the tests. When the new package has been evolved it, too, should be tested against competitors, and also against the old one. If, as the result of the test, it does not succeed in being superior to both its competitors and the old package, other designs must be tried out until, at last, one is evolved which is proved by tests to be superior to both the old package and the packages of competitors. Many manufacturers are continually submitting their packages to tests in this way to ensure that they will be always at least one step ahead of their competitors.

FACTORS THAT MAKE CHANGES NECESSARY

One of the most common factors that make changes in package design necessary is the alteration in the purchasing habits of the consumer. Financial depression, changed shopping habits, and changes in the use of the product, all affect the type of package that the consumer prefers. Financial difficulties tighten the individual's purse strings so that he tends to buy in smaller quantities. Often packages must be adapted accordingly. Certain classes of pipe smoker prefer a half-ounce package of tobacco. The growth of the threepenny and sixpenny stores has developed a great demand for packages priced accordingly. Manufacturers have catered for this demand

by packing sixpenny tubes of tooth paste, threepenny cakes of soap, and so on. Modern methods of transport have made it much easier for the housewife to reach the store where she purchases her supplies; hence she goes shopping in the larger centres and buys smaller quantities at more frequent intervals. She no longer buys the large package that will last her a month; she buys the package that will last her the week that will elapse until she goes to the shopping centre again. The sizes of the packages most in demand have altered accordingly. Consumers find different methods of using the product. The present popularity of Welsh rarebit has resulted in cheese being packed in a special way so that it can be used for this purpose. Modern developments in lubrication have meant the packing of lubricating oil in containers specially adapted for this purpose.

Another factor that makes package changes necessary is the change in fashions. This applies more to products and packages with a novelty or decorative appeal rather than to those whose appeal is mainly that of utility. The novelty package quickly becomes out of date and must be changed very frequently. Fashions in dresses change, and any package containing an illustration showing current fashions of this kind must follow current developments very closely. For example, the package for a bathing suit, if it contains an illustration of the product, must be changed almost every season. Food packages containing, for example, illustrations of the food being used on a table must have their design changed in accordance with current methods of laying the table and serving the foods in question. Colour fashions change. Green may be the popular colour one season, red the next. It may be necessary to vary the colour scheme of the package accordingly, if the product depends on fashion as its main appeal.

A third important factor which often necessitates changing the package is the activity of competitors. Competing packages may be such that it cannot stand out among them in a window display. They may embody certain other advantages such that they have a greater appeal to the potential purchaser. The introduction of the cellophane wrapper by one manufacturer made it necessary for the others to change their packings to conform to it.

Method of Changing the Package. Either one of two methods of changing the design of a package may be employed according to the circumstances of the case. The most general method of changing the package is to change the design gradually over perhaps a period of many years. Many well-known packages are being continually changed in this way, new features being included and old ones eliminated until the package at one time, when compared with one used a number of years back, might be seen to have changed to a considerable degree, but this has been done so gradually that consumers have not, at any one time, been aware that any changes have been taking place. This process has, for the most part, been toward a simplification of the original design by eliminating all unnecessary features, by "cleaning up" the type and copy, shortening it, and perhaps ultimately leaving most of it out altogether. Since this has been done so gradually, there has been no loss of goodwill as the result of the changes.

The second method is a much more drastic one and involves a sudden change from one package to another entirely different. Such a change is only justified if tests have proved the old package to be so unsatisfactory in every regard that there is nothing to be gained by retaining any of its features. This type of change may be, and often has been, attended with very disastrous results if it is

not handled with a great deal of care. If handled effectively, the change must be supported by a very extensive advertising campaign in the Press and other media, by an extensive canvass of retailers, and by well-planned window displays, to explain to both the retailer and the consumer the reasons for the change, while, at the same time, pointing out the advantages of the new packing. Where a drastic change has not been preceded by such preparations, sales have decreased and the goodwill attached to the old package has been lost. Where the preparation has been thorough, sales in many instances have increased to an astonishing extent. The main point to be remembered is that drastic changes in package design must be explained to the retailer by setting out their object. They must be "sold" to the consumer. If they are "sold" at all well through the medium of the Press, hoardings, and window displays, then a drastic change for the better in a package design may prove to be a remarkably effective way of increasing sales, and the manufacturer may have no fears as to the result—that is, provided there has been the necessity for a change and that the change has been developed in accordance with the results of carefully devised tests.

TESTING THE PACKAGE

The usual procedure in testing packages is for several different types to be designed and selected by the artist, the advertising-agency executive, and the manufacturer. The packages must follow the usual rules of package design. They must be such that they will be easily recognizable as belonging to a family, thus meeting the requirements of continuity and easy identification. They must be practicable from the viewpoints of being easy to manufacture, easy to handle in the factory, and reasonable from the aspect of production costs. They

must be of material that is suitable for protecting the product, they must fulfil the requirements of the retailer, and be of a size and shape considered desirable. The colour combinations must have been tried out under conditions of artificial lighting, and the materials submitted to strong daylight to ascertain whether the colours fade.

When it has been found that the packages fulfil these conditions, they then are tested out on a consumer panel, the limitations of this method being borne in mind.

In making all tests, either in the laboratory or in the field, the new package designs should be tested, not only against each other, but also against those of competing products. Where it is planned to replace an old design, they should be tested against it as well.

Laboratory Tests. The laboratory tests used to evaluate package designs are of two types, the objective, and the subjective or introspective. The objective tests are mainly concerned with determining attention and memory values, legibility, colour contrasts, and, possibly, the measurement of emotional reaction. The first four of these are usually estimated by using an exposure apparatus known as the Tachistoscope, of which various types have been devised and their use described in the current textbooks on experimental psychology.

Frequently, interesting results as to the value of various colour contrasts can be obtained from taking a photograph of the package design in black and white. The photograph often reveals unexpected effects in light and shade and usually proves of very great help indeed.

A great deal of controversy is raging in psychological circles concerning the method of measuring emotional reactions. Many maintain that these cannot be measured; others use various methods involving the measurement of variations in the beating of the heart, the breathing,

or the electrical resistance of the skin. Putting aside theoretical controversy, the fact remains that experiments have shown that measurements of breathing and other phenomena claimed to represent emotional reactions to advertisement and package designs do actually correlate with their effectiveness as estimated by other standards.

Introspection has been deprecated by the school of psychologists known as Behaviourists as a reliable and scientific method of ascertaining the reactions of individuals to advertisement and package designs. It must be admitted that introspection may not be an accurate means of ascertaining reactions from a *quantitative* point of view. From the *qualitative* point of view, and used by an investigator who is fully aware of the limitations of the method, introspection will afford valuable supplementary information as to the aesthetic value of the package design and also the meaning which the whole design conveys to the subject.

On the basis of these laboratory tests the various packages are rated according to their attention, memory, and legibility values, the emotional reaction they stimulate, their aesthetic value, and the meaning they convey to the subject.

Field Tests. The packages are often taken out into the field and shown to selected potential users. This may be done in either of two ways. A consumer panel may be developed and the members of the panel interviewed. Another method that has been attended with very satisfactory results has been for the investigator to take up a position in a store where the type of product for which the package study is being made is sold. Then, when the assistant has served a customer, she asks her if she would mind helping in connection with an investigation that is being made. Most persons approached in this way willingly agree to co-operate. The shop assistant then

takes the customer across and introduces her to the investigator, who, after a preliminary chat to establish accord, carries on with the test. At this stage it should be emphasized that, as far as possible, no name of any known product should be shown to the subject in connection with the packages, as the associations surrounding any brand that may be nationally advertised to any degree may entirely invalidate the results of the experiment.

Whichever method of obtaining judgments is employed, the subjects are shown the group of packages and asked to rank them according to various characteristics. Each characteristic is taken singly. For example, the subject is asked to consider the convenience of each package in relation to the product it contains, and the uses to which the product is put, and rank the packages accordingly. When this has been done the results are noted and another characteristic taken. Each characteristic must be considered in relation to the particular type of product the container is designed to contain. The characteristics for which the package is tested in this way are most frequently: size, shape, design, colour, interest, stimulus to action (i.e. purchase), the copy appeal, the general appeal or impression the design conveys, and the convenience with which the package may be used, stored, etc.

Frequently, a check is made of the subject's consistency by going over the whole procedure a second time, but, instead of using the ranking method, the method of paired comparisons is employed to find out her preferences. According to this method the packages are shown in pairs arranged so that each one is compared with every other in the group. From the resulting data it is possible to develop a further evaluation of the whole group. If the subject has been giving consistent and reasoned

judgments, the rankings according to both methods should correspond. Should there be any great discrepancy, the whole of the subject's judgments should be ignored when compiling the final results of the tests.

The results obtained from the laboratory and field tests of the different packages afford an indication of the effectiveness of each one in various directions, and should provide definite evidence as to which should be finally used.

Other methods of testing packages have been used from time to time. Some manufacturers have initiated voting competitions among consumers, who are asked to record their vote for various types of packing; then, if their vote corresponds with that of either a group of experts, or with that of the majority, they are promised a prize. This method has a disadvantage in that the voters may, in the first place, not be a typical cross-section of the real consumers of the product, and, in the second place, they may consciously attempt to vote as they think the experts or the majority will, and so give results that are the expression of an artificially created mental attitude. Another method has been simply to show the group of packages to the subjects selected and ask them which one they prefer, without going into the detailed technique that has been outlined here. This method is not so thorough and so cannot give the most accurate results.

Tests very much similar to those outlined for the field work among consumers are often carried out among retailers to ascertain their reactions to the various features of the package.

Even after the final design has been fixed upon it should be tested further under actual sales conditions. Certain of the more effective of the other designs should be marketed in trial areas and the results noted, or else these designs should be displayed on retailers' counters and

careful notes made of the types purchased, with a view to finally confirming all previous findings before marketing the new package on a national scale.

THE ULLMAN CHECK LIST ¹

The following is the Ullman check list, which frequently is used in the preparation of packages.

1. Class of Prospects. (What kind of people is the package intended to reach?)
2. Class of outlets. (What shops will sell the product?)
3. Primary Appeal. (Is it luxury, novelty, economy, utility?)
4. Purposes. (Just what is the package intended to do?)
5. Harmony with the Product. (Will the package be as good as the product and expressive of it?)
6. Family Resemblance. (How closely and in what manner should the various packages of a line of products tie together?)
7. Shape. (What is the best shape to fit the prospect's tastes as well as the dealer's shelf?)
8. Size. (Ease of handling, in the shop and in the home. Competitive practices, etc., should be considered.)
9. Colour. (Is the colour scheme attention-getting, is it pleasing, is it appropriate to the product?)
10. Copy. (The copy should indicate the nature and use of the product; past that, the amount of reading matter should be kept to a minimum.)
11. Illustration. (Should a picture be shown? What kind?)
12. Typography. (Is the lettering as legible as it could be? Is it individual and distinctive?)
13. Trade Mark or Trade Character. (How and where shall it be used?)

¹ Reproduced by permission from a booklet, *Your Two Most Potent Selling Aids*, published by the H. K. McCann Advertising Agency, London.

14. Use in Advertising. (Will the package look well in the advertising? Especially if it has to be reproduced in a single colour? In a recent issue of a woman's publication just under eighty per cent of advertisers of food products picture their packages in their advertisements.)

15. Use in Windows. (How will it look in the retailer's window?)

16. Use on Counter and Shelves. (Will it be seen clearly from a distance? Will it stand out and have a sales "punch"?)

17. Patented or Novelty Features. (The non-losable top for shaving cream tubes, the distinctive shapes for certain whisky bottles.)

18. Dual Use. (Will it help to design the package so that it can be used by the purchaser for something else when contents are gone?)

19. Permanence. (Will the package be good and pleasing several years from now?)

20. Combination Package. (Can, and should, it be made so as to sell in a set in combination with other products of the line?)

21. Package Insert. (Is one desirable and practical?)

22. Inner and Outer Pack or Carton. (Is there the proper relation one to the other as regards both dealer and consumer?)

23. Comparison with Competing Packages. (Does the design follow accepted practice, while at the same time standing out favourably from competitors?)

24. Advertising the Rest of the Line. (Should the package mention the other products of the line?)

CHAPTER IX

MODERN ADVERTISING TECHNIQUE ¹

THE function of advertising—Consumer types—Types of advertising—
The use of market research in developing advertisement appeals—
Media—Advertising and goodwill

COINCIDENT with the development of the centralized system of manufacture, there has developed the necessity for a systematized method of marketing the products manufactured. Under the old system, goods were manufactured and sold locally to people who knew all about them. Modern conditions of mass production make it essential to sell the goods manufactured to people who are, perhaps, thousands of miles away from the factory, and know little about them.

THE FUNCTION OF ADVERTISING

Advertising is one of the means by which news of merchandise can be spread from one town to another, from one country to another. Advertising enables the soap manufacturer, for example, to regard as his legitimate prospect every person who washes or ought to wash, irrespective of geographic location.

Many business men have tended to regard advertising as a luxury—to be indulged in because it is the fashion. Sometimes business men, having suddenly discovered a surplus of profits, have decided to spend that surplus on advertising.

The consumer has tended to regard advertising with suspicion. If a line of goods has been advertised extensively, the consumer has concluded that the cost of this

¹ This chapter first appeared in *The Australasian Journal of Psychology and Philosophy*, and is reproduced by permission of the Editor, Professor H. Tasman Lovell, Department of Psychology, University of Sydney.

advertising has been passed on to him. He has thought that, if the line were not advertised so much, he would not have to pay so much for it. These conceptions have gradually faded from the minds of business men and from the mind of the consumer. Advertising has come to be regarded as of special service to the community. It is by means of advertising that the housewife in the provinces comes to know about bargains in the large department store: if she did not read of these bargains in the daily papers, she would know nothing of them. In brief, advertising has brought merchandise before the notice of the consumer.

As the result of this tendency to tell the consumer what to buy, advertising has enabled the manufacturer to expand the markets for his products. With increasing demand for his products, the manufacturer can introduce more intensive methods of mass production. These enable him to reduce further the cost of manufacture and to pass on this reduced cost to the consumer for each item of merchandise.

To look at the position, however, from another angle, it would seem that the consumer is being pressed by advertising to buy merchandise, to spend money, when perhaps in the minds of many he ought to be saving it. According to this idea the consumer simply exists so that the manufacturer can produce more goods to sell to him. In reply it may be said that advertising has contributed to the development of our civilization. If it were not for advertising, few would ever, for example, have refrigerators in their homes. If it were not for advertising and reading what other people have in their homes, the housewife would not know what furniture to buy. Advertisements tell where to go for holidays, and how to care for the feet, the complexion, and the hair. Advertising puts forward the claims of rival food products, so that the

consumer knows what is available and can make a choice. Advertising teaches the consumer what he needs for his well-being, and tells him how to get it. If it were not for advertising, people still would be living in cheerless homes, without refrigerators, without radiators, without all the material home comforts which have become so necessary. They still would be wearing shoes that do not fit, and, possibly, not even be cleaning their teeth regularly because they would have never seen those terrifying advertisements telling how many germs lurk in that film on the teeth.

CONSUMER TYPES

From the viewpoint of the advertising man the public as consumers may be classified into four groups—

1. Those who definitely know what they need, and where to get it.
2. Those who definitely know what they need, but do not know where to get it.
3. Those who vaguely know what they need, but who do not know definitely.
4. Those who do not know that they need the product.

With the group who know what they need and where to get it, advertising can do little, except to influence them to use more of the product; with the second group, consisting of those who know what they need but not where to get it, advertising directs them where to get it. The position resembles that of a man looking for a job and going to the "Positions Vacant" column in the daily paper, or a man wanting a used car and reading the "Motor-car Sales" column. The third group, who have only a vague notion of what they want, offers more opportunity for advertising. Those who have a notion they want tea afford an opportunity to sell X's tea by advertising. Those who have an evil-smelling breath

afford an opportunity to sell Y's product for removing it, and so on. The fourth group, consisting of those who do not know what they need, provides the greatest scope for advertisements, which, first of all, must educate them to the fact that they need a specific product, and then proceed to make them realize that Z's product is just the one they should use.

TYPES OF ADVERTISING

Each of these groups requires, broadly speaking, a specific type of advertisement. For those who know what they need but not where to get it, the simple classified advertisement is often sufficient. Those who have a vague idea of their needs but no specific idea of what they should get to satisfy these needs constitute the largest group of consumers. The type of advertisement used to appeal to these is known as "Competitive Advertising," which aims to persuade this type of consumer to purchase Z's product in preference to Y's or B's. The group who do not know they need anything have to be educated to the use of a product by advertising, and this type of advertisement is known as "Educational Advertising." It aims to develop, first, the use of the product, and, later, to persuade people to use a specific brand of that product. The ideal advertisement is probably a mixture of the competitive and the educative types. People are already educated to use products like tooth-paste. Still, companies like Pepsodent find it wise to educate people to the danger of a film on the teeth, and, at the same time, by competitive advertising, to stress the advantages they believe Pepsodent has over all the other products. Flour is a universally used product and probably demands more stress on the competitive factor. Still, for a period some years ago, manufacturers spent a lot of money educating people to new uses of self-raising flour. That done, the various manufacturers of

self-raising flour proceeded to stress the value of their own particular brand.

Many of the more conservative advertising men still rely on inspiration or on a "hunch." Many of the ideas originating in this way have been successes, but, on the other hand, a great many of them have not.

Modern advertising technique, by substituting the scientific for the inspirational, has made advertising less and less of a "hit and miss" affair. The old "great idea" was expensive, in that no one actually knew whether it was going to be a failure or not. A modern, scientifically evolved idea behind a scientifically directed campaign is not a "hit and miss" method at all: it is one that is guaranteed almost one hundred per cent. The scientific technique of evolving an advertising campaign has not yet been perfected, but a scientifically evolved advertisement is not a haphazard shot at a market: it is a shot carefully directed right at the market, a shot which it is known is going to have a very great effect on the market.

THE USE OF MARKET RESEARCH IN DEVELOPING ADVERTISEMENT APPEALS ¹

Let us assume that a modern advertising man has to develop, in conjunction with the marketing expert, an advertising campaign that will be expressive of a scientifically determined marketing policy. From the past experience of an advertising agency in dealing with similar products, or possibly even the same product, in other parts of the world; from published sources, such as Government statistics, research bureaux, libraries, or trade journals; from experts in the professions, such as doctors, dentists, dietitians, or else from merchandising or manufacturing experts, he will obtain a mass of relevant

¹ For a more detailed account of the methods employed reference should be made to *Market Research*, Simmat (Pitman, 1931).

information. Market research among the trade can supply information about the attitudes of dealers, trends of sales, publicity and marketing methods, and sales resistance as represented by competitive products. Market research among consumers will supply the greatest fund of information, as the consumer is the person who buys and uses the product in any case. The information obtained from consumers will disclose who buys the product—whether men buy it, or women buy it, whether poor people buy it, or rich people buy it; what quantities of it these people buy—whether they buy it in pound lots, or half-pound lots, or packets, or tins; what prices they pay for it; where they buy the products—whether from grocers, chemists, or departmental stores; when they buy it—whether at the end of the week, or every day, or every month; why people buy it; what they use the product for; what other similar products they use, and so on. From this collection of facts it will be possible to determine the copy appeal, and to determine which newspapers and magazines should be used for advertising.

Copy appeal, to be effective, must be directed towards those who are going to use the product, and must apply the product to their specific needs. In the pre-scientific stage, the advertising man may have had a notion to whom his copy should be directed. This may, or may not, have been correct. The modern scientific method indisputably establishes to whom the appeal can be most effectively directed. It replaces guesswork with exact knowledge. Research thus provides the material for the copy. Copy-writing becomes, in a degree, mechanical. Phrases and expressions by consumers during the research are embodied in the copy.

The big copy idea is evolved as the result of hard work. A copy idea dug out by hard work, while being scientifically sound, is also always available. Inspiration, besides

not being always reliable, is elusive, and not always there when it is wanted. Possibly research may suggest several different copy appeals. These normally are tested against each other. The method of testing varies. Sometimes each appeal is run for a short time over similar ground. On other occasions, they are tested by means of keyed advertisements containing return coupons; that is, each advertisement contains a coupon offering a free sample of the product to those who cut out and return the coupon. The appeal is judged by the number of coupons returned through each advertisement. Occasionally test campaigns are run in a selected territory before a national campaign is begun. Less frequently the effectiveness of copy appeals is estimated by means of certain psychological tests.

MEDIA

Assuming the copy appeal, based on research, has been determined, the next problem is where the advertisements containing this appeal are to be inserted. Here, again, the old type of advertising man had a "hunch," which may, or may not, have been right. The modern advertising man has facts and figures before him relating to circulation, coverages of newspapers, who reads newspapers, and so on. With the aid of these facts and figures he selects certain newspapers, magazines, posters, perhaps films, slides, or forms of radio advertising.

A modern advertising man buys newspaper space just as he would buy a motor car. He wants to know all about it. He is the person paying for it, so he is entitled to know all about his white space. He wants to know the circulation of the paper; where the paper goes to—whether it goes to the city only, or all over the country; who reads it—whether young people or adults, men or women, wealthy people or poor people. Nor is this all. He wants

to know how the paper is sold—whether it is delivered to the home or is bought at a news-stand, whether the husband reads it in the tram and brings it home with him, or whether he just reads it in the tram and throws it in the waste-paper basket at his office. He wants to know why people read the paper—for example, whether they read it for the news, or the women's interests contained in it. There is also a whole mass of more or less technical information relating to the size of the page the newspaper uses, the size of the columns, and so on, that the advertising man must have. It is most essential to select for advertising the newspapers that will be read by people who are actually potential users of the product to be advertised. It would be no use advertising a high-class motor-car in newspapers read only by those who earn low wages; it would be useless advertising refrigerators in a newspaper which was mostly sold in districts with a cold climate, nor should radiators be advertised in papers circulating in tropical countries. These may seem extreme cases, but they are quoted merely to show how essential it is that the advertiser should know all about the newspaper, who reads it etc.

Advertising space in newspapers is usually paid for in proportion to circulation. A paper with the largest circulation should, logically, charge the highest price for its space. It is customary, for purposes of comparing the value of space bought in one newspaper with the value of space bought in another, to equate the price down to the cost for one single column-inch of advertising space in a 10,000 circulation. For instance, if the cost of an inch in a paper with a circulation of 100,000 is 8s. 4d., then the cost of a single column-inch per 10,000 circulation is 10d. Another newspaper, with a circulation of 50,000, may charge 6s. 3d. for a single column-inch. This works out at 1s. 3d. per 10,000 circulation, so that the former of

these two newspapers is preferable, other things being equal. Clearly, the advertiser must have a great deal of exact knowledge about newspaper circulation, so that he can estimate the relative value of each. The modern advertising man has no alternative but to go out among newspaper readers, just as the market-research man goes out among the consumers of the product. A definite questionnaire is formulated, and newspaper readers are asked what papers they read, where they buy them, and what papers the various members of their family read. The answers of a representative cross-section of the community are analysed and form the basis of scientific data upon which the advertiser can feel confident in using certain papers to carry the advertising of a product. This provides an impersonal method of determining the papers which must be used to carry the advertising of a certain product to a certain class or type of person. It also provides information as to where the various papers are read, what proportion of the metropolitan papers are read in various country towns, etc.

Here is an illustration of the value of a media survey of this nature. Some time ago, a large national advertiser, wishing to cover the whole of a territory, was uncertain whether he should advertise in both the metropolitan papers and the local papers of certain provincial towns. He had a vague feeling at the back of his mind that if he omitted to advertise in the local country-town papers, the news about his product might not be read at all. The only way to find out definitely what to do was to send investigators to the country towns in question, and ask the type of person who would be most likely to use the product what papers he or she read. It transpired that the type of person most likely to use that particular product read both the city and the local papers, so that, actually, there was no necessity to advertise in both. The advertiser's

problem was solved. He found out that a number of people in country towns would not be missing his advertisements if he failed to advertise in the local country papers, and concentrated on the metropolitan papers only. Those most likely to buy his products would read all about them in the city papers. The result of this was quite a considerable saving of money.

The scientific survey of people's newspaper habits also provides a fund of information on what is known as "the duplication of newspapers." For instance if a large proportion of people read two papers, it may represent a certain amount of waste if the advertisement appears in both. A media survey, when analysed, will reveal this overlapping among the readers of various papers.

ADVERTISING AND GOODWILL

Before concluding this chapter, some brief comment might be made upon financial depressions and their relation to advertising.

In 1921 business men in the United States of America were faced with a problem similar, in many ways, to that which faces business men to-day. It is interesting to compare conditions as they then were in the United States with conditions as they now exist.

In the American depression of 1921 there was a definite shrinkage in the consumer's purchasing power, due partly to losses on the stock market and partly to the loss of a spendable surplus which had been built up through income from speculation. In America the cessation of a forward move in stocks and real-estate markets did not involve a serious blow to people's income because it represented only a surplus; people still had their wages, salaries or business income sufficient to maintain a reasonable standard of living. However, at the same time, this shrinkage did represent a cumulative and

continuing shrinkage in the consumer's purchasing power. The individual manufacturer was therefore faced with the position of having fewer dollars to compete for. The consumer was still able to buy, as his income had not shrunk to the point where he was cut down to the bare necessities of living.

Up to 1920 the American index figures of the cost of living and the average wage-earner's income followed each other closely, so that, until then, the natural tendency was to increase the standard of living up to the point of income, or often beyond it. Instalment selling tended to educate people to luxuries to which previously they had no access. It is comparatively easy to increase the standard of living, but human nature always rebels at a decrease. One-time luxuries had become necessities, so that, although the American consumer could not buy all the luxuries he wanted, he still wanted to buy as many as he could. This provided an opportunity for the American manufacturer of branded products, for the reason that consumers began to exercise their discretion as to what they should buy.

Numerous manufacturers, endeavouring to cut costs, began with their advertising, because it appeared a luxury to them, and, in any case, was the easiest cost to eliminate. They did not realize the danger of such a procedure.

An example of two similar firms, who followed two different courses during the 1921 crisis, is shown in the mail-order houses of Sears Roebuck and Montgomery Ward. Each of these two houses was doing a similar business, and so comparison is all the more striking. Prior to 1920 Montgomery Ward had been doing a negligible amount of national advertising, but in 1921—the year of depression—they increased their appropriation to £14,000, and continued to increase it until 1924 when they reached £40,000 per annum. On the other hand, Sears

Roebuck had been spending £20,000 in national advertising prior to 1921, but, in 1921, they spent a negligible amount, and, in 1922, they spent only about £1,400. The result of these two directly opposed policies is informative. In 1925 Sears Roebuck had just come back to the point where their sales were in 1920, before the depression, while, in the same year, Montgomery Ward were 74 per cent ahead of their "peak" sales before the depression.

Recently an interesting study has been made in the *Saturday Evening Post* covering the same period of depression. An examination was made of the figures of 184 national advertisers who spent £30,000 or more in leading American magazines during 1920 or 1921. Of these 184 advertisers, 59—or 32·1 per cent—increased their expenditure in 1921, as compared with 1920, while the remaining 125 decreased it. Of the 59 increasing their advertising expenditure, profit and loss figures, covering the period 1919–1924, are available for 30. Of the 125 decreasing their appropriation, the figures of 46 are available for the same period.

An analysis and a comparison of the trend of net profits for each of these firms show that, taking the figures for 1919 as a basis, those who increased their appropriation during the depression actually did show a drop in this period, but this drop was not nearly so great as that experienced by those who cut down their appropriation. In 1922 both groups recovered, but the group which eliminated their appropriation did *not* recover as rapidly as the other. (In point of fact, the latter group achieved figures beyond those of 1919, while the former group did not.) It was not until 1923 that those who cut advertising got back to 1919 figures, while the other group continued to progress, and, in 1924, was still ahead by 60 points. It is possible that, in some of these instances, the advertising itself was responsible for the

result. The greatest possibility, however, is that shrewd management, during the depression, saw, in their competitor's elimination of advertising, an opportunity to acquire goodwill, so that, when the depression passed, the competitor had lost ground in this respect—ground which it took him at least four years to recover, and some of which will probably never be recovered.

The logical thing, therefore, seems to be that a manufacturer should, first of all, make sure that his marketing and advertising policy is correct. Then he should go ahead and maintain that policy, even though circumstances may seem against it.

The general advertising policy during a period of depression should be to eliminate unnecessary and unproductive media, to establish and consolidate a position in the mind of the consumer, and then wait steadfastly for the tide to turn. The man who wavers during a depression is going to lose, while the man who stands firm and steadfast, with a rooted conviction based on scientifically established premises that his policy and his product are right, is going to show a profit after a depression has passed.

CHAPTER X

EXECUTIVE ASPECTS OF ADVERTISING

THE function of the advertising agency—Uses made of advertising agencies—Summary of agency relations—The function of the newspaper—Co-ordination in advertising—Technical wastage in advertising—Expenditure in advertising—Factors determining advertising appropriation

STUDIES of the development of the advertising agency reveal that this type of organization has grown from being a space brokerage business to a semi-professional body, frequently offering consultant services on marketing, distribution, and other problems of sales management, in addition to performing all the normal functions of space buying and preparing advertisements. The old conception of an advertising agent was that of someone who had probably been bankrupt, had perhaps served an apprenticeship to a bookmaker, and, in all likelihood, had spent a period in gaol—in brief someone who had failed at everything else and had finally decided to organize an advertising agency. Recently, advertising has become respectable and is aiming to achieve professional status. The high priests of advertising are no longer calling themselves mere agents, but have added the terms “practitioner” and “market consultant” to their name-plates.

USES MADE OF ADVERTISING AGENCIES.

Just as many manufacturers often employ selling agents and wholesalers to distribute their products, likewise many employ agents to do their advertising. In the same way as many manufacturers attend to their own distribution, so many develop their own advertising. Advertising agents contend that the manufacturer who develops

his own advertising cannot do so in the most effective way. The modern advertising agency consists of a group of specialists in advertising. They may be engaged to carry out any or all of the following functions.

1. Purchase advertising space.
2. Plan advertising campaigns.
3. Prepare advertisements and publicity.
4. Place advertisements in the most economical and effective media.
5. Design sales promotion material.
6. Pay advertising bills and, in turn, bill the manufacturer for expenditure.
7. Plan marketing procedure.

Just as the ordinary individual cannot afford exclusively to retain a physician specializing in certain directions, so many manufacturers are not sufficiently large to be in a position to retain exclusively all the specialists to be found within the organization of an advertising agency. Under these circumstances an agency is retained and the manufacturer has a contact between his executive and the agency. This contact may be the sales or general manager, in the case of a small manufacturer, or the larger manufacturer may have a special individual known as the advertising manager whose duty it is to specialize in the advertising activities. Apart from this one individual and a small staff of clerical assistance, the advertising work for the manufacturer usually is carried out by the agency. Many manufacturers retaining advertising agencies permit their advertising managers to organize a department which tends to duplicate the work of the agency. The advertising managers of many manufacturing organizations interview newspaper and other representatives and arrange contracts with them. They frequently buy art work from artists and spend a great deal of time in technical discussions with block-makers.

They pass on the contracts, art work and the results of technical discussions to the agency for their use. Meantime, the manufacturer's organization is paying the agency a fee or a commission to do the same work. This duplication involves waste and, in addition, where the judgment of the advertising manager and that of the agency differ on matters such as production details, a great deal of time may be wasted in discussion. The ideal situation is that in which the manufacturer has sufficient confidence in his agency, or in his advertising manager, to let one of them carry out the work in its entirety. If a manufacturer retains an agency to carry out his advertising, he should entrust to it all the work for which he pays fees or a commission and none of it should be duplicated by his advertising manager. The function of the advertising manager should be simply to interpret the instructions of the manufacturer, pass them on to the agency, and then either present the completed work of the agency for the manufacturer's approval, or else approve it himself.

It is economically sound for the smaller manufacturer to retain the services of an advertising agency. As previously indicated, the size of his own organization is such that he cannot pay sufficiently large salaries to retain the exclusive services of specialists to carry out his advertising work. It is an economic means by which he can obtain expert advice and service. It also saves him the expense of maintaining a large staff in his own advertising department.

The situation differs when the position of the large manufacturer is considered. He expends sufficient on his advertising to maintain a reasonably sized agency even if it had no other clients. The question is whether he can obtain the best results by maintaining his own advertising department and himself absorbing the profits

that would be made by an advertising agent in handling his business.

The problem is an important one, and one that must be solved if any theory of the economic reorganization of distribution is to be carried to its conclusion. In Great Britain four main solutions are being tried by large manufacturers.

1. The manufacturer does not retain an agency, but maintains a complete advertising department which carries out all the functions of the agency.

2. The manufacturer maintains an advertising department which carries out certain of the advertising work. At the same time he also retains an agency to carry out other parts of the work.

3. The manufacturer does not maintain an advertising department, but retains an agency to carry out all his advertising work—the contact between his executive and the agency being the advertising manager with perhaps some very limited staff.

4. The manufacturer controls an advertising agency as one of his subsidiary companies. This type of organization is known as a house agency and is actually only an extension of (1).

In order to examine the effectiveness of each one of these solutions, a study must be made of the bases on which leading advertising agencies solicit business from prospective clients. Advertising agencies claim they can negotiate space rates, place advertisements, and generally conduct negotiations with publishers and other sellers of space much more effectively than the individual manufacturer can. They also claim that publishers and others prefer to deal with them rather than with individual manufacturers, and, for this reason, allow them a commission. This reasoning is entirely applicable in the case of a small appropriation. In the case of larger

appropriations some answer to this may be found in the fact that newspaper representatives and those selling space in other types of media still call on advertising managers even if their organizations do retain an agency. Further, with standard rate cards, such as now exist, the agency cannot, in theory at any rate, buy space more cheaply than anyone else. Even if lower rates can be negotiated, an individual advertising manager stands a better chance of obtaining concessions. Such concessions are solely a matter between him and the publishers or other space vendors, whereas the worth-while agency will strive to obtain any concessions for all their clients. As far as checking and billing are concerned, there may or may not be an advantage to the large manufacturer in the employment of an agency. The agency pays for the space and in turn bills the manufacturer, but the latter must, in any case, check the agency's accounts, and with the system of pre-billing adopted by many agents, this procedure involves more complications than if the manufacturer carried out the whole himself.

Another claim by agencies is that on the basis of their experience they are in a position to supply more accurate data from their files than the manufacturer is in a position to obtain for himself. This holds good in the case of small manufacturers, but the larger manufacturer can afford to, and does, obtain information that is as accurate as most that an agency can obtain. An advantage in the case of an agency is that the cost of maintaining the space-buying department and the data files connected with it is spread over all its clients, while, if he does not use an agency, the manufacturer must carry the whole cost himself.

Another argument put forward by the agency is that the material they can prepare for the space bought in various media is better in every way than that the manufacturer can create or procure for himself. The

manufacturer employing an agency is not called upon to pay for certain of this. The smaller manufacturer most certainly benefits by utilizing the expert copy and art specialists retained by the agency. The larger manufacturer may have ample work to justify the payment of salaries to copy-writers just as expert as those employed by the agency, while, as most agencies employ art directors who in turn buy from free-lance artists, the large manufacturer can adopt the same procedure. The agency usually charges the client for art work plus commission, but does not charge for copy work, it being the normal practice to assume that the agency commission on the space booking covers this.

The agency claims that its mechanical-production experts are in a better position to secure the best results. In this the smaller manufacturer must benefit by using an agency, but with the larger manufacturer it is probably a matter of convenience more than anything else.

Many modern advertising agencies have added recently a fourth plank to their platform. They claim that on account of their accumulated experience in market studies and merchandising for their clients, they are in a very advantageous position for advising on the entire distribution activities of a manufacturer. In the course of their market studies for a large number of clients it is undoubtedly true that many agencies have accumulated valuable information relating to markets. When a manufacturer is not sufficiently large to develop these studies for himself, the agency can be of considerable assistance to him. Most of the larger manufacturers have developed extensive marketing departments within their own organizations. These carry out market-research work and have the advantage of being an integral part of the manufacturer's own organization to a much greater extent than the agency can ever be. On the other hand

the agency is in a position to study a problem much more objectively than the manufacturer's own organization can. One of the greatest disadvantages, from the agency point of view, is that, in the event of it outlining distribution policies and procedures, it is not in the executive position to see that these are carried out in detail. If the marketing section of a manufacturer's organization evolves procedures in distribution, it also usually provides the executive power to carry them through. Functioning as an independent consultant, the agency is of undoubted value, but it must always remain the function of the manufacturer's own organization to carry out policy.

SUMMARY OF AGENCY RELATIONS

The retaining of an agency to work on all phases of his marketing and distribution problems is of advantage to the small manufacturer. In using an agency he must have confidence in it to the extent of not duplicating within his own organization any of the work it can do for him. The large manufacturer, in general, can do for himself almost everything that the agency can do for him, so that his use of an agency depends to a great extent on whether it is more convenient for him to do certain work in his own organization, or whether it is more convenient to retain an agency to do it for him. Costs should be carefully studied. A large manufacturer with his executive located in the provinces invariably finds it more convenient to retain an agency located in London where the greater part of the work concerned with advertising is centralized. In employing an agency, such a manufacturer must have sufficient confidence in its work to accept it as being equivalent to an integral part of his own organization and entrust it with the entire responsibility for certain work, in this way eliminating any possible duplication within any of his own departments. The

development of "house" agencies by many of the larger organizations has certain advantages in that the house agency is ideally a more integral part of the parent organization than any outside agency can ever be. The "house" agency, on the other hand, normally does not stand in danger of losing any of its business, and may tend to be less alert and progressive than the independent agency on whose ability to show results depends whether the business will be retained.

THE FUNCTION OF THE NEWSPAPER

Most frequently the greater proportion of a manufacturer's appropriation is expended in the purchase of space in newspapers and the material for advertising to put in that space. The function of the newspaper's organization is to insert advertisements in their publications and to ensure that the journals containing these advertisements are distributed and read by as many people as possible. The research departments of newspapers supply advertisers with a great deal of information relating to their circulation and also may, or may not, supply additional information and assistance. Much of the information obtained from newspapers and other publications is of such a nature that the manufacturer himself can, and does, obtain it. As the publication must carry the cost of obtaining this information, it is possible that more advantage would accrue to the manufacturer if, instead, he was able to secure the advertising space at lower rates. It may not be economic for publications to endeavour to supply manufacturers with marketing and other information which they, or their advertising agents, can, and nearly always do, obtain. On the other hand, publications are the only organizations in a position to supply advertisers and their agents with information relating to their own circulation, its distribution, who buys their

publication, where it is bought, what features are most liked, and so on. Many publications have been most reticent about this aspect of their circulation. Advertisers have been forced to organize researches to obtain this information for themselves. This has represented waste. Considerable progress is being achieved by audit bureaux of circulation, but much has yet to be done in the way of persuading publishers to supply reliable and useful information concerning the quantity and the quality of their circulation.

To summarize the position with regard to publications, they should definitely supply reliable information to advertisers concerning all aspects of their circulation, but should not duplicate the function of the advertising agent or the advertiser's own marketing department in developing market and other studies outside the province of circulation.

CO-ORDINATION IN ADVERTISING

The modern conception of distribution is to regard it as a continuous function consisting of interdependent units. Once any unit becomes isolated from the remainder, the result is wastage in proportion to the degree the unit has become isolated from the continuity. Advertising must be regarded as one of the units in this continuity, interdependent with the other units. If the product is not what the consumer wants, if the sales methods are not right, the best of advertising is wasted. The product must be right as previously determined by scientific studies of consumer wants. Any advertising that is not co-ordinated with the finding of these studies in its appeal to specific markets and specific types of consumer is waste. Advertisements must be inserted in media that have been proved by scientific analysis to be the correct and most economical to reach the types of consumer

covered by these market studies. The appeal contained in the advertisements must have been previously scientifically tested and found to be such that it will arouse immediate response in the consumer.

Once the advertising has been developed, it must be co-ordinated with sales effort and utilized to its fullest advantage. Complete distribution must be arranged before advertising. Salesmen must be fully aware of the advertising plans so that they can explain them to the retailers and book orders accordingly. Retailers must be persuaded to co-ordinate their displays with the advertising campaign so that the desire formed in the mind of the consumer may be still further stimulated by seeing the advertised product displayed at the point of purchase. Any advertising which does not have the full force of this co-ordination behind it loses much of its value.

TECHNICAL WASTAGE IN ADVERTISING

A great deal has been written concerning the psychology of advertising, but too little has been done in a scientific and practical way. It is possible by means of psychological tests to measure the relative attention power of advertisements and the legibility of type, to determine the most effective sizes and to estimate the value of different kinds of lay-out. Recently in America a technique has been developed which aims to estimate "reader interest" in advertisements. Art directors possess a shrewd judgment of what "looks well" in an advertisement, but it is not always the "good looking" advertisement that pulls well and sells merchandise.

An advertisement must do both of two things. It must attract attention and it must convince the consumer that the product advertised is one he needs and must have. This may be achieved in many ways. Attention is most frequently secured by novelty, by size, or by

referring to some particular interest the reader may have. Once attention is secured, it must be held for a period so that the reader may study the message and be urged to act—that is, decide to purchase the goods. Ineffective advertisements represent waste, and the ideal would be to subject every advertisement to tests before insertion. If an advertisement does not fall within certain standards as the result of these tests, it should not be inserted.

The argument is frequently advanced that advertisements must be prepared and inserted in too great a hurry for this to be possible. The reply is that this hurry and lack of scientific testing results in a great deal of wasted effort. The cost of producing an advertisement and purchasing space to put it in is so great that it is logical to test an advertisement to estimate its effectiveness, even if the time taken to do this may involve a certain amount of delay. Just as psychologists have developed tests to determine the fitness of the individual for certain vocations, so, in the future, tests will be developed to determine beforehand the fitness of advertisements for certain purposes. As the understanding of the application of scientific principles to advertising becomes greater, so will develop the tendency to subject advertisements to simple, scientifically controlled tests with the object of determining whether they will achieve the purpose for which they have been developed.

EXPENDITURE IN ADVERTISING

The determination of the appropriation figure which will be expended on advertising has been a problem to many. Should too little be spent, the maximum effect is lost in proportion to the extent to which the sum is under the amount that should be spent. Should too much be spent, the wastage represents a multiple of the amount by which the ideal expenditure is exceeded. The

procedure adopted by the majority of advertisers is to allocate a percentage of their gross sales for advertising purposes. This percentage varies considerably according to the product concerned, the areas it is proposed to cover, and the cost of the media employed. In most instances it is impracticable on account of cost to attempt to reach every consumer, and, in any case, many consumers present too great a resistance to a sale for it to be economic to attempt to influence them by advertising. It is possible that advertising may be such that it influences too many consumers, so that production cannot satisfy the demand created.

FACTORS DETERMINING ADVERTISING APPROPRIATION

The ideal advertising appropriation should be determined first of all in relation to production—how much merchandise it is desired to sell. In other words, a sales quota should be set up. Secondly, the markets should be studied with the object of deciding where are the greatest concentrations of consumers who are most likely to buy the product. Thirdly, a study should be made of the most effective media which might be used in conjunction with the advertising designed to influence these consumers. These media should be selected ultimately both on a basis of cost per consumer or unit of consumers reached, and on the basis of their estimated effectiveness. Finally, the extent of the campaign in each of the media selected should be determined. This extent depends on three factors: (1) The need the consumer has for the type of product, (2) the extent of his resistance as represented by individual preferences, competing products, his financial situation, and the other factors revealed in the preliminary market surveys, (3) the number of times the appeal will need to be repeated in the

various media before stimulating the consumer to action. These three factors are interdependent. The first two may be estimated on the basis of consumer investigation, while the last must be a matter for experiment in small test territories before the major campaign is launched.

On this basis a figure can be arrived at which represents the amount it is necessary to spend on advertising a commodity in such a way that a certain quantity of it will be sold to certain people. This method represents an effort to determine synthetically an appropriation, and provides for an approach to the ideal appropriation closer than can be achieved by allocating a percentage of the total sales quota.

Many large manufacturers producing more than one line of merchandise set up a quota on the budget system and aim to achieve this at all reasonable costs. Following this system, the advertising appropriation is an elastic one. This method has the advantage of enabling the manufacturer to estimate his sales accurately and arrange his purchasing of raw material accordingly. Briefly, the system is that, once estimated sales are being achieved for one product, advertising is slackened on that line to such an extent that the estimated sales quota is not exceeded. The money thus made available is then devoted to another product, which may not be selling well. Again, if a product is not selling according to the determined quota, it may be coupled with some other product that is very well known, or else it may be sold with some supplementary product, such as soap with pegs, or shaving soap with razor blades. These are then made the basis of a joint offer at a reduced price until such a time as the lagging product has reached its quota. This procedure may involve the spending of more money than is justified in order to sell a quota. Nevertheless, quotas are set on the basis of past experience, and so normally are achieved

without an expenditure very much greater than was originally planned, even in bad seasons. This system has the undoubted advantage that it enables production to be regulated, and so there is no danger of under-production as the result of an excessive demand created by too intensive advertising. Likewise there is less danger of over-production as the result of insufficient demand, with its consequent bad effect upon the purchasing function. These advantages are regarded by many as more than outweighing any disadvantages the system may have.

CHAPTER XI

THE SELECTION AND TRAINING OF SALESMEN ¹

THE type of salesman in relation to the type of product—Essential characteristics in a salesman—Developing the salesman's marketing sense

BEFORE marketing became a science, and when salesmanship consisted of little more than writing down orders in a book, little attention was paid to the selection of salesmen. Salesmanship did not attract the best type of individual. The "commercial traveller" was often regarded as a good-for-nothing individual with a suave tongue and loose morals, who, having failed at most other things, "took up commercial travelling."

THE TYPE OF SALESMAN IN RELATION TO THE TYPE OF PRODUCT

Modern marketing technique has evolved a new type of salesman. It is now recognized that to be a successful salesman an individual must possess certain qualities that are inborn and not to be acquired. He must also acquire certain other qualities. While the same basic principles of salesmanship apply to obtaining orders for either motor cars or tablets of soap, yet the specific type of salesman who can assist in marketing and obtaining orders for motor cars most successfully is different to the specific type who can assist in marketing and obtaining orders for soap. Various types of product require various types of salesmen. Similarly, the salesman who is successful in calling upon department-store buyers is frequently a different type to the one successful in calling upon small

¹ Various aspects of salesmanship are discussed more fully in *Personal Salesmanship*—Simmat (Pitman, 1929).

retailers. Often women may be more successful than men in marketing certain types of product.

ESSENTIAL CHARACTERISTICS IN A SALESMAN

The first factor to be considered is the type of salesman to be employed for any particular selling job. The problem of type must be considered from three aspects, (a) inborn capacity, (b) temperamental and social characteristics, (c) acquired knowledge (training). Standards for each of these must be set up and salesmen selected who have the necessary characteristics with regard to both intelligence and temperament, so that they can be trained to be successful. Such standards are set up following the principle of firstly classifying the various types of selling jobs, then studying the salesmen who are actually engaged in them. They are rated according to a standard procedure for each characteristic. They are next rated according to their degree of success or non-success in selling. On this basis a standard of rating is arrived at for the characteristics required for each type of selling job. Subsequently, only salesmen who can be rated above these standards are selected and employed. Dr. A. H. Martin, Director of the Australian Institute of Industrial Psychology, has developed a scheme according to which salesmen can be rated. This is shown on page 142 in a slightly modified form.

A number of psychological tests have been developed, as the result of intensive research, by bodies such as the National Institute of Industrial Psychology, to assess innate and temperamental characteristics. These tests substitute impartial criteria for guesswork and have been proved to lessen the possibility of wrong selection to a considerable degree.

Some standards in regard to social qualities are necessary as well. A rating during a preliminary interview

	Rating			
	A	B	C	D
1. Innate Characteristics—				
Intelligence				
Quick Reaction				
Memory				
Ingenuity				
 Average Rating				
2. Temperamental Characteristics—				
Self-confidence				
Assertiveness				
Ambition				
Fearlessness				
Persistence				
Co-operation				
Reliability				
Loyalty				
Thoroughness				
Initiative				
System				
Sympathy				
Humour				
Geniality				
Optimism				
Ease of Manner				
 Average Temperamental Rating				
3. Social Qualities—				
Height				
Dress				
Carriage				
Facial Expression				
Voice				
Conversation				
Culture				
Persuasiveness				
 Average Rating of Social Qualities				

based on the factors enumerated is of use in estimating the potential value of the individual, although most of these social qualities can be developed by training.

DEVELOPING THE SALESMAN'S MARKETING SENSE

Assuming that potentially successful salesmen have been selected as the result of a method similar to that outlined, the next problem is to train them so that their potentiality will be translated into reality.

Under the older systems of sales management it has been the function of the sales manager to train his salesmen and at the same time stimulate and inspire them to further efforts. In accordance with the new viewpoint of the salesman as a weapon in marketing, the function of sales management has, in many instances, been reduced to routine administration and control, while the training, stimulation and inspiration of salesmen has become more properly the function of either the marketing or the general management. Alternatively, the sales manager has developed into a marketing expert who does not "manage" salesmen but helps them to market merchandise.

The fundamental principle in the training of salesmen is that they should be trained in the tradition and ideals of the company for which they are marketing merchandise, so that, in turn, they can sell these traditions and ideals to the retailer. They must be instructed in marketing and merchandising in accordance with predetermined policy. The way in which this is achieved with salesmen once they have undergone their preliminary training is described in the following chapters.

Apart from teaching him the ideals and traditions of organization, an important part in the preliminary training of the salesman is that he should become familiar to some degree with the production and other aspects of the

organization at headquarters, so that when he proceeds into the field he can interpret the requirements of retailers in terms of this knowledge. With this end in view the potential salesman should spend some time in the various parts of the factory and offices. This knowledge must be revised from time to time by shorter visits, even when he may be described as being a seasoned salesman.

After the preliminary stages have been passed, the salesman must be given a course of instruction in marketing and the various functions he is expected to carry out, including the methods of using the material with which he is supplied. This is described in a later part of this book, and is usually represented by a series of talks from the marketing expert and from the management. Even when the salesman has been in the field for some time, this instruction should be continued, but at more infrequent intervals and on a more advanced basis.

The next stage is to instruct the salesman in actual selling technique. He should accompany several senior salesmen for a period and have the reasons for the employment of various methods explained to him. At the same time he should be given a further series of lectures on sales and marketing technique with especial reference to particular problems. The last stage of his training is to send him out to cover an assigned territory, close to headquarters, to cover a limited number of calls. At the conclusion of his day's work he should discuss each case with a senior executive and have each step in his technique criticized and suggestions made to him. After a period he then is sufficiently trained to have a definite territory allocated to him, and the close supervision and instruction from headquarters need not be so intense, although for the entire period that he is with the organization further stimulating instruction in proposed policies and other matters should be given to him.

CHAPTER XII

THE FUNCTION OF THE SALESMAN

SALES MANAGEMENT and its relation to marketing — **Distribution:** types of outlet—The department store—Multiple shops—One-price shops—Co-operative stores and cut-price shops—Small retailers—Wholesalers—What the salesman sells

THE routine of sales control is a problem of administration and sales office management rather than one of marketing. Methods of taking orders, the supervision of salesmen, allocation and routing of journeys, determination of quotas, are matters of sales office routine. The functions of marketing and those of sales management are difficult to distinguish the one from the other. As a working distinction marketing may be defined as the development, distributing, advertising, presentation and selling of merchandise, while sales management is the mechanical administrative control of the salesmen. Just as the advertising manager checks the advertising appropriation and sees that the most effective advertisements expressive of marketing policy are reproduced in the most effective way in the most effective media, so the sales manager attends to the administrative details of controlling salesmen. In other words, the advertising manager and the sales manager are controls to ensure that the policy of marketing is being carried out. Fundamental sales policy must be determined by marketing, and therefore the broad function of the salesman must also be determined by marketing.

As long as the salesman was a mere order-taker, his duties and functions could be controlled by sales office management. The modern salesman is more than an order-taker. He is also a weapon employed in the attack upon markets. He is employed in the frontal attack. He

is the only immediate and direct contact the manufacturer and the wholesaler have with retailers. His efforts must therefore be co-ordinated with the other factors in the marketing policy.

DISTRIBUTION: TYPES OF OUTLET

The first function of the salesman is to secure for the product he sells as complete a distribution as possible among all promising potential outlets in his territory. Distribution must precede advertising so that when consumer demand is created it can be satisfied. The salesman must be continually checking the effectiveness of his distribution, both with regard to increasing distribution among profitable types of outlet and also with regard to eliminating outlets that are not profitable.

Under all normal circumstances the salesman must consider distribution in relation to seven types of outlet.

1. The department store.
2. Multiple shops.
3. One-price shops.
4. Co-operative stores.
5. Cut-price shops.
6. Small retailers of various types.
7. Wholesalers.

THE DEPARTMENT STORE

In considering the department store as a type of outlet, it must be remembered that although the number of customers served by one individual department store may be very large, yet, in comparison with the number of persons who buy at other types of outlet, the proportion who buy their normal requirements at department stores is very small. One recent investigation making a study of consumer buying habits showed that only between 4 and 5 per cent of some 3,000 persons interviewed bought a

common household product at department stores. Many salesmen and manufacturers are disappointed at the size of orders they receive from department stores. The fact just mentioned will throw some light on the reason for this. It may, however, be assumed that most people at some time or other visit the larger department stores. Products displayed in department stores have some degree of prestige attached to them in the minds of those seeing them during their visits. There is good reason for stating that the average housewife sees certain brands of merchandise displayed in department stores and may even buy them there for the first time. This is her first introduction to the line, but subsequently she habitually goes to her local retailer to buy it.

Distribution in the department stores is thus important in two ways—firstly as an individual outlet, although the quantities sold in this way often may be disappointing, and secondly as a means of introducing and displaying merchandise to the public. The salesman therefore must endeavour to secure distribution for his product through the department stores in his territory, and at the same time he must endeavour to secure the greatest possible display in them.

MULTIPLE SHOPS

Many of the larger multiple organizations provide a very effective way of securing a comprehensive distribution over a market. Invariably they have one or more shops located at strategic points in the majority of promising markets. Their orders are very large, and the salesman must endeavour to interest both the local manager and the central buying office in securing a complete distribution for his products in all the branches. At the same time he must aim at obtaining displays in all branch shops as frequently as possible. The multiple

shops frequently provide the salesman with a valuable indication of "trends." He must cultivate the confidence of the buying office in order to obtain from them all possible information as to these.

ONE-PRICE SHOPS

One-price shops are a problem to the salesman and to the neighbouring retailers as well. The volume of trade the average manufacturer of branded lines does with one-price shops is often very small—smaller even than he does with department stores. The display of branded goods in one-price shops does not have the prestige value that department store display has. The fact that a one-price shop stocks a branded line may condemn it in the eyes of the neighbouring retailers. On the other hand, one-price shops are frequently a very effective means of introducing new lines. It is the function of the salesman to exercise a judgment moulded by the circumstances operating in his territory as to what relations can exist between himself and the one-price shops. He must estimate their value with particular regard for local circumstances, and either develop his own actions accordingly, or advise headquarters of conditions and follow their instructions.

CO-OPERATIVE STORES AND CUT-PRICE SHOPS

In general, co-operative stores are not very useful in marketing branded goods. If they can be persuaded to stock a branded line, the salesman must consider them in the same way as multiple shops—obtaining as much display as possible and using their trade as indicative of trends.

Cut-price shops are rarely of any great use in marketing, except at the later stage of the "consumer acceptance" cycle (Chapter XXII). The disturbance of prices and the resultant upsetting of relations with other retailers

make it undesirable to include this type of shop among the normal outlets for a branded product. They are a definite menace to the development of stable marketing policy. It is the salesman's function to insist on price maintenance in his territory for the products he sells, and if he cannot achieve this by a personal approach to the price-cutters, he must inform headquarters so that, if necessary, they can take the step of cutting off supplies.

SMALL RETAILERS

It will be outlined in the chapter dealing with the functions of the wholesaler how the smaller retailers should be the care of the wholesaler rather than that of the manufacturer, while the larger outlets are more specifically the direct purchasers from the manufacturer. The salesman should "help" the smaller retailers to sell their goods, advising them as to display, interior lay-out, stocking, and the many other details important in the management of the shop. The small retailer invariably knows little about merchandising and selling, and it is the function of the salesman to gain his confidence to the degree that he will be able to advise him along these lines. This implies that the salesman is capable of giving such advice.

It is also the function of the salesman to secure as complete a distribution of his product as possible among the smaller retailers in his territory. He must continually be endeavouring to secure, among smaller retailers, new outlets that will be profitable and eliminating outlets that may for various reasons be undesirable.

WHOLESALE

The manufacturer's salesman calling on wholesalers must be in a position to discuss the wholesaler's problems with him and convey the result to headquarters. If possible he should address the wholesaler's salesmen in

conference as to sales technique, new marketing developments, and, in short, with the co-operation of headquarters, must consider them in the same light as the manufacturer's marketing expert considers his own salesmen. He must keep both the wholesaler and his salesmen "sold" on his line. He must ensure that they are carrying out the marketing policy of his firm, must consider all suggestions they have to make, and make certain that all necessary display and other sales material is supplied to the wholesaler to be passed on to smaller retailers.

WHAT THE SALESMAN SELLS

The modern salesman must sell to the retailer not only merchandise, but the manufacturer whom he represents. In other words, it is his function to "sell" to the retailer the manufacturer's reputation, the many services and advantages from which the retailer can benefit, the quality, purity, packing and other attributes of the goods the manufacturer produces, the effectiveness of the merchandising and advertising plans that are being developed. Once this has been done, orders will come as a matter of course. Having booked the order, the salesman must proceed to "sell" the retailer on the desirability of giving the goods an effective display. It may even be desirable to "sell" the retailer on the advisability of himself spending some money in advertising the goods in co-operation with the manufacturer. Finally, the salesman must "sell" the retailer on the sales procedure to be adopted in retailing the goods to the consumer. Many manufacturers go to the extent of providing special instructors, who teach the retailer's staff how to sell a particular brand of merchandise. In other words, the work of the salesman does not stop when he has his goods on the retailer's shelves. He must then proceed to educate the retailer in marketing those goods to the consumer.

CHAPTER XIII

STIMULATING THE SALESMAN TO SELL

SALES conferences—The sample bag—The salesman's portfolio—The price list—The sales manual—Keeping the salesman informed—Visits from headquarters—Talks with executives at headquarters—Incentives—Preparing ground for the salesman

It is the function of sales office management to make the routine of the salesman as simple as possible, by supplying him with route maps, handy samples and sample bags, effective means of transport, and so on. It is the function of marketing to make the most of the fact that salesmen are available to sell merchandise in the different territories.

SALES CONFERENCES

The first and most generally used method of helping salesmen is that of convening periodic sales conferences, at which current and future policies and problems are discussed between marketing experts from headquarters and salesmen. These conferences are invaluable in that they enable salesmen to compare their problems with those of others, and thus comprehend marketing policy not from the viewpoint of their territory, but from the broader aspect of the entire market. At such conferences new lines can be discussed and criticized, and future marketing policy explained and debated. Headquarters can convey to salesmen knowledge obtained as to the activities of competitors, and how salesmen can counteract these. Advertising plans can be discussed in relation to the problems in each territory. In this way both headquarters and the salesmen arrive at a more intimate understanding of each other's problems. At the same

time, the salesmen are kept well informed of developments and, perhaps, may even contribute a great deal towards shaping these developments. To be able to sell the product to his retailer most effectively, the salesman himself must be "sold" on the product. Sales conferences provide the means for doing this.

A typical agenda for a sales conference is as follows—

1. An outline of recent activities and aims achieved in the entire market, followed by an outline of the activities of competitors by a marketing expert from headquarters.

2. A discussion and comparison of their own experience on (1) by salesmen.

3. An outline of future advertising by the advertising manager.

4. A discussion of this by the salesmen.

5. The presentation and description of new lines by the production manager and the outline of marketing procedure by a marketing expert.

6. Sampling and discussion of these by the salesmen.

7. An outline and discussion of current market and other researches.

8. A discussion of general trade tendencies and expectations, together with any other matters the salesmen may wish to raise.

THE SAMPLE BAG

The salesman's samples must be arranged for him so that they are always easily available for quick presentation to the retailer, and also so that the samples themselves are preserved in good condition. Strictly, it is a function of sales office management to see that salesmen's samples are never allowed to become soiled or stale, that the range is always complete, and that he receives samples of all new lines coming on the market.

THE SALESMAN'S PORTFOLIO

The salesman's portfolio is one of the essential items in the modern salesman's outfit. It contains evidence which will enable him readily to "sell" the retailer. The first section usually contains photographs of the executives at headquarters and also of interesting stages in the manufacture of the lines he is selling. In the next section are included charts demonstrating facts about the plant, i.e. annual increases in output, staff, raw materials purchased, acreage of floor space, etc. The third section includes statistics relating to increases in sales, number of retailers stocking the product, average of sales per retailer, etc. In addition there might be included letters from retailers describing their experiences with various lines. The fourth section contains brief accounts of market researches that have been carried out from time to time, with pertinent sections emphasized. In the fifth section are included an account of current advertising plans, pulls of projected advertisements and the media in which it is planned to insert them. These may be accompanied by maps showing the coverage of these media in various districts and the type of person constituting their readers. The sixth section includes details of special schemes that are being developed, such as local house-to-house canvasses, joint offers, price reductions, and so on. The seventh and last section contains scale reproductions of display and other advertising material available to the retailer. Often it may be desirable to include in this section photographs of actual window and counter displays of the product, with the object of suggesting to the retailer ways in which he may lay out his own shop and windows. This portfolio should be recalled to headquarters from time to time and brought up to date. The salesman must be taught to master the

contents of his portfolio and to show the appropriate sections to retailers whenever possible.

THE PRICE LIST

An elementary rule of sales office management is that every salesman should be provided with a price list. It is surprising how irregularly this rule is carried out. Every salesman must be kept supplied with an up-to-date catalogue in which the latest prices and terms are entered. Experience has shown that an ideal procedure is to recall the salesman's price lists at short intervals and either supply a new one or else supply a temporary list pending the alteration of the old one.

THE SALES MANUAL

Many large manufacturers supply their salesmen with manuals in which a prescribed sales technique is set out. This has certain advantages, but at the same time the salesman is most often trained not to follow exactly the wording of the manual but to use it only as an indication of the lines he is to follow. He must develop a sales technique that is expressive of his own personality, and adapted to the particular circumstances of each case as it arises.

KEEPING THE SALESMAN INFORMED

Although the details set out in his sales portfolio give the salesman information as to future plans, he may receive a further reminder in the shape of a weekly letter from headquarters in which the next week's advertising is described with special reference to his territory and instructing him how he is to make the most of this in his contact with retailers. This weekly letter informs him of any shortages in stocks of either merchandise or display and other sales material, or any sudden changes

in marketing policy, so that he can, if necessary, convey this to retailers. The ideal weekly letter conveys to him all the "red hot" news about the firm and how men in other areas are progressing. The most effective form of letter is one that is as personal as possible and which avoids giving an impression of being stereotyped. It may even include any data of interest to the salesman that has been discovered during recent market researches. It is most effective when personally signed by the sales manager, the marketing expert, or some other executive well known and respected by the salesman.

VISITS FROM HEADQUARTERS

In many organizations either the marketing expert or the sales manager, or both, make it a practice to accompany the salesman once a year, or even more often, on his visits to at least his most important customers. This has several effects. It convinces the salesman that headquarters is taking a personal interest in his work. He likes to show what he has achieved and the good terms on which he exists with his customers. His customers like it because it convinces them that headquarters has a personal interest in them. Finally, it enables the marketing expert and the sales manager to discuss his local difficulties with the salesman on the spot and to gain an accurate idea of how his work is being carried out.

TALKS WITH EXECUTIVES AT HEADQUARTERS

In addition to visits from headquarters, salesmen may be further influenced by being brought into headquarters at intervals for short periods when they can meet production as well as marketing executives and discuss market problems. This procedure has the advantage that the salesman learns to understand the enthusiasms and interests of the production side of the organization, while

at the same time production will obtain an insight into the outlook of the salesman. Much of the misunderstanding and lack of sympathy that often develops between salesmen and production is thus eliminated, and the result is to stimulate a greater degree of co-operative effort.

INCENTIVES

It has yet to be proved that the most effective incentive is not an appeal to the salesman's banking account. Other incentives such as prizes for best achievements, publishing sales figures, etc., must be very judiciously employed to achieve anything. The bonus is the best incentive possible. Nevertheless, in determining a bonus a number of factors must be taken into account.

Bearing in mind the fact that the modern salesman's function is not that of taking orders alone, the incentives must be adjusted accordingly.

First of all, having determined the quota he is expected to achieve during a period, a bonus may be given if this is achieved, and further, there may be an increase in proportion to the extent it is exceeded. Secondly, a bonus may be given for each new and desirable customer obtained. Thirdly, a bonus may be given, determined by the extent of the displays and other sales co-operation obtained from the retailers in his area during a period. Fourthly, additional bonus may be given for suggestions and information received during the period.

The ideal system is one in which the salesman is remunerated firstly on a salary basis, so that even if he does not receive any bonus he can live comfortably. If his work does not justify the payment of this salary his services should be dispensed with. The bonus should be arranged so that it can only be obtained as the result of extra effort on the part of the salesman, but when obtained

the bonus should be worth while. It should be paid at short intervals—monthly if possible. If it is left for longer periods, the result may be that the salesman loses interest.

PREPARING GROUND FOR THE SALESMAN

Headquarters can assist the salesman by keeping in touch with retailers through the mail and in other ways directed towards maintaining their interest. These are described in detail in the chapter on “Developing the Interest of the Retailer.”

CHAPTER XIV

HOW THE SALESMAN HELPS THE MARKETING DEPARTMENT

FUNCTION of marketing—How the trade and the public react to various lines—Reactions of the trade and public to competing products—How the trade and public react to merchandising policy—The activities of competing firms—Possible new lines and developments—Economic trends—Broad view of the salesman's relation to marketing.

THE marketing department is primarily concerned with the discovery and presentation of merchandise that is what the consumer wants, and the bringing of that merchandise to the notice of the consumer in the most effective way. The wants of the consumer are ascertained by market research, the product is developed and marketed, and results are checked by follow-up researches in the field. However, field research that covers every corner of the market is expensive and is usually not practicable. The salesman has an intimate knowledge of his market and thus is in a position to obtain valuable data which can supplement data obtained by the independent field investigations. The salesman, though frequently neither impartial nor scientific in his outlook, is nevertheless keen to sell and he is in direct, immediate, personal contact with his particular section of the market, through his retailers or wholesalers. In the case of salesmen working for a wholesaler, their functions in helping marketing are identical with those of the salesman working for the manufacturer, except that they pass information on to the wholesaler, who legislates accordingly, and perhaps, more often than not, passes the information on to the manufacturer.

In the section describing how to get the most out of salesmen, it has been outlined how merchandise is "sold"

to salesmen at sales conferences. At all general sales conferences every encouragement should be given to discussion of the reactions of the consumer and the trade to the product, according to the observations of the salesman in his own territory. Marketing procedure should also be discussed with the salesmen, and their reactions on display, advertising and the other aspects obtained.

Outside sales conferences, salesmen are often encouraged to send in regularly reports concerning the various aspects of the market in their territories. It may even be desirable to supply them with specially printed report forms for this purpose, although this procedure may tend to render such reports less the result of spontaneous interest than that of an onerous duty. *Fundamentally, the salesman has to sell and not conduct market research.*

The information the salesman can pass back to headquarters falls into six classifications.

1. How the trade and the public are reacting to each of his lines—that is, how products are being bought, by different classes, sexes, ages, etc., of consumer, and what modifications are being asked for with regard to range, shape, size, packing, price, etc.
2. What are the reactions of the trade and the public to competing products.
3. How the trade and the public are reacting to headquarters' merchandising policies.
4. The activities of competing firms, and how the trade and the public are reacting to them.
5. What new lines are possible good sellers.
6. What are the general economic trends and future possibilities in his territory.

HOW THE TRADE AND THE PUBLIC REACT TO VARIOUS LINES

Market research as interpreted by headquarters does

not always evolve a product or a merchandising policy that is infallible in relation to every section of the market. The salesman must be the check with regard to his territory. The product may not be exactly what his customers want, it may not be adapted to their particular circumstances. The historic example is of an English firm supplying egg cups to an Indian market. They were a failure. A German marketing man, advanced beyond his time, measured Indian eggs and found they were smaller than the English ones, so rendering English-sized egg cups useless. He recommended to his principals that an egg cup be made to suit the dimensions of the Indian egg. The result was a line that was successful in the local Indian market.

The number of units contained in a package, the price, the colour, and many other factors may not be suitable. Old established lines may be on the wane but perhaps could be stimulated by advertising, sampling schemes, etc. Not infrequently, special circumstances arise in a salesman's territory which can be taken advantage of to stimulate sales. For example, the visit of a national celebrity may call for special displays of certain products with which he may be associated. Although headquarters should know of this, nevertheless it may not, and it is the salesman's function to keep it informed of coming events that may be utilized for purposes of sales promotion. Again, an epidemic may break out. This may call for the increased use of special products such as disinfectants. The salesmen must inform headquarters, so that it can legislate accordingly.

He must also keep headquarters informed as to trends, i.e. whether sales for different lines are likely to increase or fall off in the near future, so that production may be ordered accordingly, or even so that drastic measures can be adopted to change these trends.

REACTIONS OF THE TRADE AND PUBLIC TO COMPETING PRODUCTS

The sales achieved by a salesman in any territory may be greatly dependent upon those achieved by the salesmen for competing products. Competitors may introduce new lines from time to time. The salesman must procure samples of these and forward them to headquarters with information relating to price, margin of profit, through what outlets they are being distributed, whether sales are encouraging, the degree to which his own sales are being affected, whether any success the competing line may have is likely to be permanent or merely transitory, what type of people are buying them, and the general reaction of the trade and consumers toward them. The same applies in general to old competing lines. Headquarters must be kept informed of changes in packings, price, distribution, margins of profits, etc. In addition, on the basis of information he can obtain from either shopkeepers or consumers, the salesman should provide headquarters with almost identical information with regard to the lines which he himself is selling.

HOW THE TRADE AND PUBLIC REACT TO MERCHANDISING POLICY

At periodic sales conferences and in bulletins headquarters will have explained the details of merchandising policy and the fundamental principles underlying these. On his ground the salesman will have an opportunity of studying the effect of the policy. He must keep headquarters informed of the extent to which the objects it has outlined are being achieved. He must observe the effect of current advertising, display, and other sales promotion methods adopted. He must discuss the results of these with the retailers who are selling the

merchandise to the consumer and thus find out the ultimate effect on the consumer. The information on these points transmitted to headquarters enables it to interpret the sales statistics of his territory. Not infrequently a great deal of valueless information is received by headquarters from its salesmen. Often a great deal of it is given by the salesman as an excuse for not achieving greater sales. Nevertheless, when the wheat has been separated from the chaff, much valuable data is obtained. The more the salesman has been instructed in the objects of merchandising policy and in the general principles of marketing, the greater is the value of this type of information that he is able to obtain and pass on to headquarters.

THE ACTIVITIES OF COMPETING FIRMS

While headquarters can, and does, obtain information relating to the merchandising policies of competitors by means of field observers, yet the salesman in his territory provides another valuable source for data. It is only by putting together the various items that a manufacturer can obtain a complete picture of what policies competitors are developing and what the effect is likely to be. The salesman in his territory can see what displays are being used, to what extent they are being used, and what effect they are having. He can obtain first hand information relating to the strength of advertising in relation to his territory, the effect it is having on consumers and on the trade. He can observe any other sales promotion expedients that are being adopted by competitors, such as price reductions, sampling schemes, special offers to retailers, and so on. Details of all these, and an estimate of their effectiveness should be forwarded to headquarters. From the reports of all their travellers, together with data obtained in other ways, the marketing

expert at headquarters can piece together the jig-saw puzzle of competitors' merchandising policy into something intelligible, and legislate accordingly.

POSSIBLE NEW LINES AND DEVELOPMENTS

As will be shown later, in the chapter discussing the theory of the consumer acceptance cycle, with many manufacturers it is necessary to be continually producing new lines, or, alternatively, remodelling old ones. The salesman in his territory may receive suggestions from retailers and consumers as to new lines that may have good possibilities. These should be reported to headquarters. Also he may see possible new outlets that may be developed for existing lines, or ways in which existing outlets may be developed more effectively.

ECONOMIC TRENDS

The salesman is on the spot and in a position to study local trends much more effectively than the headquarters man. If new industries are developing in his territory, this may mean the increased purchasing power of the local consumer. If headquarters knows of this in time, then a procedure can be developed which will take the greatest advantage of this. Similarly the development of the co-operative store movement in a town may mean that headquarters will need to revise its system of covering retail outlets. If new houses are being built, headquarters may be able to utilize this fact with advantage. The tendency is often for the salesman to report adverse economic trends as an excuse for not achieving his budgeted sales. However, even when this is so, the situation should be examined by headquarters with the object of advising the salesman and assisting him to achieve his budget.

BROAD VIEW OF THE SALESMAN'S RELATION TO MARKETING

The salesman must be regarded both as a selling agent and as an advance scout in the territory he covers. It must not be forgotten that his primary function is the sale of merchandise. If his selling activities are subordinated to a mass of clerical reports, he ceases to be a salesman. Nor can his reports be considered as impartial or scientific. The good salesman is partisan. His contact with the consumer is too limited to be otherwise than personal and applicable to a particular set of circumstances only. He has not the detachment of the marketing expert who views the whole market from a broad, impersonal point of view. The salesman's report should be viewed accordingly, as affording what may correspond in law to circumstantial evidence. It affords valuable supplementary data, but should not be regarded as absolute unless corroborated by data obtained from other independent sources.

A SPECIMEN SALESMAN'S MARKET REPORT

Territory..... *Period Ending*.....

(a) *Reaction to Own Lines.*

Are sales increasing or decreasing or steady for period?

- | | | |
|----|--|-------------|
| 1. | | Reason..... |
| 2. | | Reason..... |
| 3. | | Reason..... |
| 4. | | Reason..... |
| 5. | | Reason..... |

Can any of the lines be altered in any way to increase sales?
What lines and how?

.....

Are any local factors operating which could be taken advantage of to push sales of any lines? What are these, how can they be utilized, and what products are affected?

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.....

Are any lines likely to fall off or increase in sales in the next period? What are these, why is this likely to take place, and what remedies can be suggested?

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.....

(b) Consumer Reaction to Competing Products.

Are any of your lines being affected by competition? What are they? What competing lines affect them and what can be done to improve the situation?

.....

.....

.....

(c) Consumer Reaction to Marketing Policy.

Are any of your products priced, packaged, or marketed in any way so as not to meet the requirements of the market? What are they? What changes could be made?

.....

.....

.....

Has there been any consumer response to our (a) Press advertising, (b) posters, (c) sampling, (d) coupons, (e) displays, in your territory?

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.....

Can any changes be introduced to increase the response?

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.....

.....

(d) Trade Reaction to Marketing Policy.

Are retailers favourable to our present trading terms? If not, to what are they unfavourable?

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What does the trade think of our present (a) advertising, (b) posters, (c) sampling, (d) coupons, (e) displays?

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.....

(e) Consumer Reaction to Marketing Policy of Competitors.

Are any competing products being unfavourably received by the public? What are they, and give reasons.

.....

.....

.....

What has been the policy of competitors in regard to advertising and sales promotion in your territory during the period? What methods have they adopted and what has been the consumer reaction? (Consider each specific competitor.)

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.....

What have you been able to find out about competitors' future plans? What will the effect be?

.....

.....

.....

(f) *Trade Reaction to Competitors' Marketing Policy.*

What is the present general attitude of the trade towards our chief competitors? (Specify for each case.)

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.....

.....

What has been the trade attitude toward advertising, sales promotion schemes, etc., of competitors. (Specify each one.) What reports have the trade to make as to the general effect?

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.....

Have our competitors introduced any new items in policy, e.g. price, margin of profit, etc., during the period? What is the attitude of the trade to these?

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.....

Have any new competing lines been introduced? What are they and what does the trade think of them?

.....

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.....

Are any new outlets being developed by our competitors?

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.....

(g) *Economic Trends.*

Have any new trends been observed?

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.....

.....

What is the general employment situation?

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.....

.....

Are people spending more money or retrenching?

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.....

.....

On what will people be spending most money in the coming period and on what will they be spending least?

.....

.....

.....

CHAPTER XV

DEVELOPING THE INTEREST OF THE RETAILER

ATTITUDE of the retailer—The broadside—Direct mail—Advertising as an aid to the retailer—The house journal—Advertisements in trade journals—Other advertising to interest the retailer—Display and selling aids—Factory visits, etc.—The use of samples—Incentives, prizes, etc.—Complaints

THE retailer is the last link in the chain of distribution from the manufacturer to the consumer. He is the most important in that he carries out the final function of passing merchandise to the public. In the case of both the large retailer and the small retailer, and most particularly with the latter, it is the product that the retailer recommends that the consumer will buy. Thus, apart from the necessity of obtaining the retailer's co-operation in displaying the product, it is important to make him interested in selling the lines. There have been exceptional instances where merchandise has been successfully marketed in spite of the antagonism of retailers, through sheer weight of advertising and price appeal, but the more effective marketing policy is that designed to interest the retailer in selling the product.

Every retailer likes to recommend a good product to his customers, one that will bring repeat orders and that will enhance the prestige of his own shop. The reputation of the manufacturer is the chief factor in effecting this and is developed by prestige or institutional advertising or other propaganda planned with this object in mind. The retailer also is more interested in a line if he is making a good margin of profit on its sale. Margins of profit very frequently are based on an agreement among a group of manufacturers, but, even though a maximum margin may be agreed upon, the manufacturer

must make sure that he is not giving the retailer *as small* a margin but rather *as large* a margin of profit as is possible.

Headquarters may maintain the interest of the retailer in a variety of ways, however, stimulating it at moments when it might appear to be lagging and urging it further when the moment appears to be appropriate. A fundamental principle involved in maintaining the interest of the retailer is that the manufacturer should take him into his confidence as much and as often as possible. The salesman helps to achieve this by using the data in his sales portfolio. The manufacturer himself supplements this by distributing other promotion material to retailers either direct from the factory or by means of the salesman. The direct method is usually preferable, as it forms a second attack on the retailer. At the same time, it often prepares the ground for the salesman.

THE BROADSIDE

The retailer is kept informed of the manufacturer's plans often irrespective of whether the salesman calls or not. An effective means of doing this is to produce what is known as a "broadside." This consists of advertising schedules, statements of marketing policy, and reproductions of display material and Press and other advertisements. The broadside is a pictorial representation for the retailer. It often may be distributed by the salesman, but it is more effective if posted to the retailer before the salesman calls. Then the salesman can confirm the impression it has made by producing his sales portfolio, explaining the contents of the "broadside" more fully, and finally making notes of display and promotion material the retailer may require. In addition to the actual broadside, it often has been found advantageous to send to the retailer separate reproductions of current

advertisements with dates of insertion, the media in which they will be inserted, circulation data, etc.

DIRECT MAIL

In addition to the employment of "broad­sides" and the distribution of advertisement pulls, price lists, etc., the manufacturer or the wholesaler often keeps in touch with his retailers by letters. These should avoid having the appearance of a circular and should emphasize the personal element, even to being signed by an executive. They should not be sent out too frequently. They should aim at making the retailer feel that his relations with the manufacturer or the wholesaler are on a very intimate basis. They should contain some comment on the orders that have been received from the retailer and when possible should appeal to his vanity. A great deal of direct-mail material is put aside and destroyed because it looks cheap and impersonal. If the principles outlined are followed, a great saving of postage and misdirected effort should result.

ADVERTISING AS AN AID TO THE RETAILER

As far as is possible, the advertising developed should be such that the retailer will realize that it will help *him* to sell merchandise. Even if only his name can be included in local advertising, he feels it is helping him. The principles involved in this type of advertising will be outlined at the conclusion of the chapter on "Retail Outlets."

THE HOUSE JOURNAL

Many manufacturers endeavour to interest their retailers in current events as relating to their specific commodity by the distribution of "house journals." Many house journals fail in that they are uninteresting reading.

The house journal should not be a mere catalogue. It should be equal in interest to a first-class magazine, and full of "red-hot" news relating to the trade. Under these circumstances it can provide a very valuable means of developing the intimacy between the retailer and the manufacturer or the wholesaler.

ADVERTISEMENTS IN TRADE JOURNALS

Frequently manufacturers and wholesalers strive to maintain the interest of retailers by advertising in the trade journals issued by grocers', drapers', and other associations of retailers. The gain from such a procedure is doubtful and should be carefully considered. Many trade publications are read by the members of the association responsible for them and these may be influenced by the fact that a manufacturer supports his association by advertising in their journal. Many other trade publications are read by only a small proportion of retailers. This method of interesting retailers must be considered by both the marketing and the advertising experts from the aspect of diplomatic expediency alone.

OTHER ADVERTISING TO INTEREST THE RETAILER

Many manufacturers distribute small reminders, such as calendars, etc., to retailers. The value of these is usually small and their effect negligible. The average retailer receives such a large number of these gifts from the manufacturers with whom he trades that their value in interesting him in any one manufacturer is very small. Other methods of interesting the retailer are to include promotion material, information *re* new lines, etc., in outer packings in the same way as inserts are used to interest consumers in new products. Since these do not, as a rule, cost a great deal, nothing much is lost by adopting

this procedure, and although a great number of these enclosures find their way to the refuse heap, yet some may have an effect.

DISPLAY AND SELLING AIDS

The supply of effective display material and selling aids such as glass cabinets and counter stands is another way of interesting retailers, and is one that is of particular value in so far as it both interests the retailer in the merchandise and at the same time is a means of bringing particular products before the public.

FACTORY VISITS, ETC.

It is important that retailers should be able to talk to their customers about the merchandise they are selling. With this object in mind, many manufacturers arrange for groups of retailers to visit their factories as guests. This has the further advantage of making the retailer feel a greater personal contact with the factory. On other occasions manufacturers and wholesalers have endeavoured to stimulate the interest of their retailers by inviting local groups of them to lectures, picnics, musical evenings, and other forms of entertainment. Often results have proved the desirability of such action. On other occasions, particularly in the case of low-price products and unimportant retailers, it has proved to be waste of money. Another method that has had good results in the case of high-price products is the organization of retailers' conferences, at which the manufacturer frankly discusses selling problems and marketing policy with retailers, and invites criticism and suggestions from them.

THE USE OF SAMPLES

In the case of smaller retailers it should be the aim of the manufacturer to persuade them to use his product

themselves. There is no stronger recommendation to a prospective purchaser than that the retailer himself uses the product. To encourage this, manufacturers find that it is often profitable to supply smaller retailers, particularly where the proprietor is his own salesman, with samples for their own use. These should be handed to the proprietor by the manufacturer's salesman, or sent separately with a suitably worded covering letter. Wholesalers should be supplied by manufacturers with samples for distribution to the retailers they serve. This method is less useful in the case of larger outlets where the buyer is not the salesman. The samples are then wasted. They must be *used* by the person selling the merchandise to the public. The method must be employed with a great deal of discrimination to avoid waste. One manufacturer developed a very effective merchandising scheme by distributing samples for use by all the staff of a large department store. The fact that the staff of this store all used the product was then advertised in the Press, and, coupled with effective displays in the store itself, increased sales to a considerable degree.

INCENTIVES, PRIZES, ETC.

Substantial bonuses are often given to retailers for selling certain quantities. These most frequently have been given on the basis of gross sales, irrespective of the effort the retailer has to make to achieve them. Thus the larger retail outlet can secure a bonus easily and the small retailer finds it difficult, or can never do so. A more effective merchandising method is to set a quota for each retailer and to award a bonus if this quota is exceeded. This method corresponds to that employed to offer an incentive to salesmen. Bonuses might also be arranged for displays. Competitions for window dressing are also arranged by some manufacturers, but these may tend to

antagonize retailers who consider they have been overlooked when prizes are awarded. It is more desirable to award a general bonus for the ingenious and effective use of display and other promotion material. Additional bonus might be arranged for helpful suggestions or criticisms of general marketing policy.

COMPLAINTS

Many manufacturers and wholesalers realize that, although they may spend a great deal of money in developing the interest and goodwill of a retailer, yet the effect of this may be lost as the result of a small misunderstanding. Salesmen must be trained to the point of view that, just as in retail salesmanship the customer is always right, so also is the retailer always right. The salesman, as the representative of the manufacturer or the wholesaler, must interpret the attitude of the retailer for headquarters. Where possible, he must take steps to remedy the retailer's complaint, but, if necessary, headquarters must make every reasonable effort to satisfy the retailer and remove the cause of even the most minor complaint. It is just as important to study the remedying of complaints as it is to build up goodwill.

CHAPTER XVI

DISPLAY

DISPLAY in relation to marketing—Using the product and its package for display purposes—Special display material—Arranging displays—Function of window display—Salesmen and display

DISPLAY is one of the most important aspects of modern marketing. It is by means of display that potential consumers are shown where they can purchase merchandise that they have seen nationally advertised, or else reminded that they had intended to purchase it. Displays are of two types. The first consists of displays in windows which generally serve to show where particular types and brands of merchandise can be purchased. The second type, the interior display, serves as a reminder or direct stimulus to purchase.

Display material may be of two types, the first being constituted of the product itself and its packings, and the second, material specially created for display use.

USING THE PRODUCT AND ITS PACKAGE FOR DISPLAY PURPOSES

The modern package designer develops the package in which the product is contained after taking into account its potential value for display. The package that is not designed so that its display value is high in relation to competing packages loses a great deal of its value. The package in which the product is contained is the most simple way of making a display in both the shop window and the interior of the shop. It is customary to supply dummy packages for use in displays to prevent possible wastage due to the perishing of real goods when displayed. The use of the package for interior display purposes

in such a way that potential purchasers can pick it up and handle it is one that has been used very effectively by one-price stores, where it has been proved that sales definitely are increased by displaying the packages of merchandise in this way.

SPECIAL DISPLAY MATERIAL

Special material devised for modern display purposes varies from simple "stickers" to elaborate show-cards and display cabinets. A great proportion of the display material supplied by manufacturers to retailers has been wasted. It has been devised without taking into consideration the actual requirements of the particular retailers concerned. Large display cards have been sent to retailers who have no adequate window or interior space in which to put them. Small display cards have been used that are ridiculous in relation to the importance or the size of the product with which they are associated. When devising display material, a study must be made first of all of the various outlets in which it is decided to make displays. Then the material must be devised in relation to actual requirements. The retailer must be taught to realize that the production of display material is costly and that it is provided as a means of helping him to increase sales. It is the function of the salesman to do this. It is also the function of the salesman to prevent wastage by ensuring that the display material is not sent to retailers who, for any reason, cannot, or will not, use it.

Many manufacturers supply elaborate display cabinets, shelves, etc., to retailers in which their goods can be displayed. These form a valuable part of the fixtures and fittings of the shop and also ensure that the manufacturer's goods are displayed. Usually these cabinets, etc., are sold on easy terms to the retailer or else may be lent to him. If he has to pay for these, the retailer is made to realize

their value, and for the same reason, if he cannot make use of them, he will not buy them. It would eliminate much wasted display material and ensure that the retailer used whatever was supplied to him if more manufacturers made a practice of making retailers pay for material supplied. This practice would also mean that the manufacturer would be forced to devise display material that was so effective and useful that the retailer would be anxious to obtain it by paying for it.

ARRANGING DISPLAYS

The larger stores and multiple organizations have on their staff specialists who arrange their displays. The small retailer, on the other hand, has no such facilities. He has little knowledge of the technique of arranging effective displays. Recognizing this, the majority of large manufacturers have travelling display experts, or else have an arrangement with a special display organization, who arrange the windows and interior displays of the smaller retailers, dressing them with the goods of the manufacturer to whose staff they are attached. With judicious management, and provided he trades with sufficient manufacturers, it is possible for the retailer to ensure that his windows are continually being arranged by experts, and that a diversity of products are being displayed in continuity. Retailers not trading directly with manufacturers do not enjoy such a facility. It would be very much to the advantage of all concerned if, as will be outlined in the chapter describing their functions, wholesalers made available a staff of display experts to those retailers with whom they traded.

In the case of the manufacturer it is customary for standard displays to be devised at headquarters, and then the display staff dress retailers' windows in accordance with these standards. Where it has not been found pos-

sible to send a display man to the retailer, it has often proved advantageous to send him plans and pictures of standard displays so that he can order the material and do the work himself.

FUNCTION OF WINDOW DISPLAY

When branded merchandise is being nationally advertised, it is essential that displays should be arranged in the windows and inside all the possible shops that stock it, to tie in with the advertising. By this means the advertising campaign is supplemented and the product recalled to the public mind. At the same time potential purchasers are told where they can purchase the product, the desire for which has been created by advertising. Advertising and display must supplement each other in the marketing scheme. When this is done, the manufacturer benefits by the additional stimulus to the purchaser, and the retailer benefits to the degree that the potential buyer is attracted into *his* shop to make the purchase.

SALESMEN AND DISPLAY

It is recognized as a fundamental principle of marketing that goods that are displayed achieve a greater volume of sales than those that are not displayed. The more extensive and effective the displays, the greater the sales. Second only in importance to the most complete possible distribution of the product itself is the effective distribution of its displays. The salesman is the immediate contact between the manufacturer, or the wholesaler, and the retailer. It is therefore his function to obtain not only a complete distribution of merchandise but also a complete series of displays, and most particularly so at times when other advertising effort is most intensive, although it has been proved that even when merchandise is not being advertised it can be sold by being displayed. It thus

becomes part of the salesman's ordinary function to take orders from retailers for display material in just the same way as he secures orders for merchandise. He must sell the idea of interior and window display to the retailer, arrange for the supply of material and specialists to help use it to greatest advantage, and finally check up to ensure that the retailer is using the facilities offered him in the most effective way possible. Part of the salesman's order book should be devoted to merchandise and another part to the noting of requests for display facilities. He should check the effect and use of this material and report the result to headquarters for its guidance.

CHAPTER XVII

RETAIL OUTLETS

TENDENCIES in retailing—The implications of mass retailing—Types of customer—Prices—Stocks—Buying—Sales and the sales staff—Reorganization of sales effort—Increasing the flexibility of the staff—Retailers and national advertising—Subsidies—Retailer co-operation with manufacturer's advertising

SINCE the beginning of this century many changes in the methods of retailing have taken place. Mass production has brought this about to the extent that it has led to mass buying. Some tendency for business to become centralized in the larger towns has also been responsible. This century has seen the development of the department store, the multiple shop, the co-operative movement, and the extension of the branch shops of large City organizations into provincial centres. The public and its wants are becoming more and more catered for by the development of more retail outlets, from the humble shop where the wife serves customers while her husband goes to work for an employer, to the mammoth department stores with their turnover of many millions annually and staffs of thousands. Thrifty householders are tending to invest their savings in small shops without any great knowledge of the general principles of business and without any conception of the more scientific aspects of retailing. At the same time, the threepenny and sixpenny and other one-price stores are extending to provincial centres and attracting enormous crowds of customers. Another type of shop is cutting prices to attract business. Many smaller shopkeepers are going bankrupt at an alarming rate. In one of the larger cities in the North of England it has been estimated that there is almost one shop to every forty persons.

For cheap production to be possible it must be mass

production. Mass production is partially dependent on the possibility of forecasting the retailers' buying power and so controlling the purchase of raw material. The retailer who purchases in large quantities, and can place orders ahead and spread over a long period, can buy at the lowest rates. The public will tend to purchase where they most conveniently can obtain the lowest prices for a given quality of product. Without more assistance from wholesalers the small retailer, therefore, will tend to disappear if for no other reason than that he cannot purchase in sufficiently large quantities to obtain a price that will enable him to compete with the larger retailers. His disappearance may be expedited by his lack of the knowledge of retailing. He does not possess the specialized knowledge of how to develop sales by effective window display, advertising, etc., nor is he expert in systems of controlling his stocks so that he is able to buy as effectively as possible and maintain a high rate of turnover. The small retailer now depends largely on a personal connection, but competitive merchandising in the larger stores tends to minimize the effect of this. A general trend of the buying public is toward the department store, the multiple shop, the one-price shop, or the co-operative organization for the reason that, by shopping in this way, better service and often lower prices are obtained. The only way in which small retailers can survive this process is by combining and themselves becoming, each one, a unit in a multiple organization with centralized buying and a co-operative share in the services of experts on merchandising, display, and advertising. One method of doing this is described in the chapter outlining the function of the wholesaler. Such a combination, when practicable, enjoys all the advantages possessed by the multiple shop, such as being able to buy and sell at the lowest rates, and, at the same time, each

shop, being a locally controlled unit, has the additional advantage of a flexibility not entirely possessed by the multiple shops with their centralized administration.

The gradual progress towards mass buying and spreading orders ahead over a period on the part of retailers and wholesalers assists the manufacturer by enabling him to reduce manufacturing costs through mass production, and by smoothing out his production curves. It also lowers his distribution costs. Often the manufacturer's salesman spends too much time travelling from one small shop to another, and too little time in actual selling. Mass retailing eliminates such wastage but also requires a better type of salesman. The general result is of benefit to the consumer in that prices are reduced all along the line of distribution.

THE IMPLICATIONS OF MASS RETAILING

It is not proposed to outline a method of retail-store control except so far as it may concern distribution. A great deal has been written concerning retail-store organization. The systems at present operating in the most modern stores leave little to be desired.

One of the greatest problems in retailing is the reduction of overhead. With mass selling, overhead, from the viewpoint of distribution, becomes reduced to a minimum. However, if the other aspects of store overhead such as administrative salaries and general operating expenses are not carefully watched, savings in the costs of actual retail selling easily may be absorbed. Modern mass retailing is concerned with five main aspects in the distribution process: the types of customer, prices, stock, buying, and the sales staff.

TYPES OF CUSTOMER

Mass retailing demands that customers should be

standardized in the same way as merchandise is standardized. Many modern stores consciously cater for a specific type of customer. Some stores aim at an air of exclusiveness, others seek to cater for the middle classes, and others again plan to attract customers of a lower social grading. In other words, the retail outlet determines what type of customer it will seek to attract and moulds its whole policy accordingly. The greatest sales effort is directed toward this type of customer. Interior displays, window shows, Press advertising and merchandise service are unified to appeal to this specific class of customer. The whole energies of the organization are directed into one channel, and, in accordance with the principles of mass distribution, any type of customer outside the group to which it has been decided to appeal is not specially catered for.

Other retail outlets disperse their energies in an effort to attract many types of customer. The consequence is they often attract some of every type but no great number of any in particular. In this respect the policy of the one-price stores is significant. These do not suggest they are able to satisfy every type of customer. On a basis of price and strictly limited service, they define the type of customer to whom they can sell their merchandise most effectively and cheaply. They are not interested in customers who require merchandise outside their price ranges, or who require additional service. Many department stores and other types of retail outlet in all probability unnecessarily expend a great deal of money in endeavouring to satisfy every type of customer. If a certain article required by a customer is not in stock, it is obtained specially and often after spending time and money in the process. If a customer is not satisfied with merchandise, many stores go to extremes to satisfy her completely. Other stores have developed non-paying services with the

object of creating goodwill. It is problematic whether these efforts actually do result in increased business to an extent that justifies the cost. Only in isolated instances has an estimate of the cost involved ever been made. That the policy of the one-price stores in limiting their customers is right has been proved by the phenomenal business they do. Retailing of the future may mean the extension of the principles involved in the one-price store policy. Types of customers will be carefully analysed. The types so analysed will not be catered for as individuals, but as groups, and the services, prices, and goods of the store may be adjusted accordingly.

PRICES

Following the principle of mass distribution, prices become standardized according to the type of customer to whom the retail outlet is appealing. In the chapter discussing prices it will be shown how each type of customer has a price that she is willing to pay for a certain type and quality of merchandise. This price must be considered from three aspects. First, there is the price that a type of customer is willing to pay for average-quality merchandise, that is the average price she normally expects to pay for a quality adequate for her normal needs. Considering dress materials, for example, this price is that which the average working-man's wife is willing to pay for materials she uses as a general rule for ordinary purposes. Secondly, there is the price she is willing to pay for material she does not use normally, but which she uses for her "best" frocks. Thirdly, there is the price she is willing to pay for material she regards as "cheap." The great bulk of the dress-material stock of any store that has defined its customers as belonging to the working-class group must therefore be retailed within these price ranges.

Following this principle, a "working class" store will not stock dress materials outside these ranges of price and quality because there is no market for them among the customers it has developed. The same applies equally to all merchandise stocked by this store. Similarly, with a store that has taken for its market a more wealthy section of the community—its range of stocks and prices is centred about what its "average" type of customer uses normally, extending below this to what this type considers "cheap," and above to what is considered "expensive." Each type of customer is tending to shop in the type of retail outlet where the appropriate range of merchandise is available, and does not expect to obtain prices, quality, or service not peculiar to that type of outlet.

STOCKS

Modern principles of retailing demand a rapid turnover of stocks. This is dependent on two main factors, the right price and the right merchandise. Having determined the price his type of customer is willing to pay for merchandise, the retailer must then aim to obtain merchandise that is of such good value at this price that his customers rapidly buy it. This is dependent on knowing what customers want and giving it to them at the time when they want it. The retailer must study seasonal and other trends in demand so that he is able to buy at best advantage and be just a little ahead of his competitors in anticipating what his type of customer is going to require. He must not buy stocks that will become "dead," or, if he does make mistakes and certain parts of his stock tend to become "dead," he must not accept this fact passively. He must reduce the prices until the "dead" merchandise is sold. He must not hide his mistakes by allowing capital to remain tied up in "dead" stocks. He must be content to profit by his experience, accept his loss, and take

measures to ensure that the same mistakes shall not occur a second time. Thus if stocks are "live," and the right merchandise is being rapidly turned over at the right price, there should be no necessity for sensational "bargain" sales to clear stocks. Each of this type of "bargain" represents a mistake in buying or in initial pricing and so should be a confession of weakness rather than a matter for jubilant Press announcements regarding extraordinary reductions.

Stocks must be regulated so that they follow seasonal and other trends—the greatest stock of a line being held just before the seasonal "peak" is to occur, and the smallest stock towards the end of the season. Any line the largest stock of which is held at the end of the season represents, in the first place, bad judgment of the market, and, in the second place, means that the subsequent adjustment of prices to clear the line either has been carried out too late in the season, or else has been carried out ineffectively in some other way. It is only by following the principle of rapid price adjustment to follow consumer trends that rapid turnover is achieved.

BUYING

Buying is the link between the manufacturer and the retail outlet. The manufacturer and the wholesaler with their specialized knowledge of distribution and markets are in a position to advise the retailer what to buy for his particular type of customer. The retailer should make full use of this knowledge and should supplement it with the knowledge he himself has obtained relating to the marketing of the line through his own particular type of store. The buyer must be in a position to inform the manufacturer or wholesaler as to his requirements some time ahead so that the manufacturer can buy raw materials in advance and, at the same time, organize production

evenly. If every buyer orders only when he requires the goods and demands instant delivery, it means that the manufacturer or the wholesaler receives all his orders at once, and if the manufacturer must produce and deliver all the goods immediately, he cannot purchase raw materials at best advantage. In addition, the producing factory is working overtime for a period, while, at other times, it may be slack. Co-operation among the manufacturer, the wholesaler and the retailer in estimating the supplies required and so ordering ahead makes it possible to regulate the purchasing of raw materials and to adjust manufacturing activities and wholesale buying so that factories are producing at an even pressure throughout the year. The result is a considerable saving in labour costs, in the purchase of materials and in the wholesaler's storage costs. This saving can be passed on to the consumer in the form of lower prices. Once retailers, wholesalers and manufacturers by mutual co-operation have become proficient in estimating future requirements, producers of raw materials also are able to regulate their activities. There is a lessening of over-production in both raw and manufactured goods and the consumer reaps the benefit in decreased prices.

SALES AND THE SALES STAFF

A mass of literature has been written on retail selling. A large proportion of it has been devoted to consideration of the sales staff in retail outlets. Systems of selecting and training sales staff have been described at length. Many uncomplimentary remarks have been made regarding the ability of those "behind the counter." It has been said that the way to increase sales is to select a better type of sales person and to train the persons so selected more efficiently. However, it might be remembered that the present remuneration the retail sales staff receives is

comparatively low. The working conditions are such that individuals possessing real sales ability, in general, are not attracted by retail selling as a career. The retail selling staff is a very fluctuating entity. Large temporary staffs are engaged to cope with seasonal variations at "demand" periods such as Christmas and Easter. This temporary staff, by very reason of its being temporary, cannot be other than tending to be rated low as regards selling ability. Even under normal trading conditions daily fluctuations in trade often are such that at certain periods during the day it is impossible effectively to attend to customers, while, at other periods, the sales staff have little selling to do. The situation often is that there is a considerable waste at the retail end of distribution in both inefficient selling staff, and sales effort inefficiently distributed over certain seasons and certain times of the working day. Under a system of mass distribution much can be done to eliminate these sources of waste. The rearrangement proceeds along two lines, the reorganization of sales effort and also by increasing the flexibility of staff.

REORGANIZATION OF SALES EFFORT

Certain of the articles distributed through retail outlets call for no sales effort, while others require as much effort as the sale of a motor-car. An example of the former type might be a well-advertised brand of tooth paste, while the latter type might be a high-priced exclusive garment. In general, retail outlets, with slight modification, follow the same principle in selling both types. A rationalized system of distribution demands that the amount of effort expended in selling each should bear a direct relation to the amount of profit involved—that is, for example, the proportion of wages to profits in selling tooth paste should be the same as that in selling high-price

ladies' garments. A solution is the employment of cheaper labour to sell tooth paste and such products of the "convenience" type. The question is whether this has gone far enough. The one-price stores have proceeded further and have eliminated sales effort altogether in connection with certain lines. This principle might be taken to its logical conclusion. Efficient advertising of proprietary merchandise educates the consumer public to what it wants. As the advertising of proprietary lines becomes more efficient the consumer public becomes more educated as to what it wants, and consequently the need for sales staff to explain this becomes less.

From a general viewpoint of the sales technique involved, merchandise sold through retail outlets may be divided into two classes, the first being the type of merchandise where consumers have been educated by advertising to know what they want, and the second where consumers have not been educated in this way and require advice, i.e. sales help. Many retail outlets specialize in distributing either one of these types of merchandise, while others distribute both. Department stores specialize in both types of trade. The one-price stores only are concerned with displaying "convenience" or "shopping" goods and letting customers, perhaps influenced by advertising, select what they require. Stores selling high-price "speciality" merchandise, where customers need help in selecting what they need, must concentrate on affording expert sales advice.

This involves a rearrangement of sales staff and its remuneration. In the type of business where goods are just displayed the personnel is not sales staff in the real sense but "attendants," whose duties are solely to watch and wrap merchandise displayed and sold. The ability required and the remuneration given correspond. In the type of business where selling ability is required to influence

customers in the purchase of high-price merchandise, a high standard is essential among the sales staff, and the remuneration should be arranged accordingly. The result of the more general application of this system will be the development of a higher standard of sales ability where it is necessary. Problems of the peak hour of the day are very much simplified under this system of organization for the reason that a majority of the purchases made at "peak" periods are of the type that do not call for a great deal of selling ability. Those who really require "advice" often prefer to wait and make a selection at their leisure. Under this system the legitimate "selling" staff is relieved of a great deal of pressure and so left free to attend to the business of selling. The large store of the future may be divided into two sections, one being where "convenience" and "shopping" goods are displayed, and where customers select their requirements in the direction they have been led by manufacturers' national advertising, the other being where "speciality" goods are "sold." The placing of any type of merchandise within either one of these classifications is a matter to be determined by the circumstances of each particular retail outlet.

INCREASING THE FLEXIBILITY OF THE STAFF

Many methods have been developed to ensure the plasticity of staff. Although there are periods when business in general through retail outlets approaches peaks and there are other periods when depressions occur, yet, with certain modifications, peak periods in one type of trade may be taken as representing depressions in others. Sales staff used during a peak in one type of trade may be transferred to another type of trade when the depression in the former class begins. Following this principle, high rates of labour turnover may be avoided by the large store. This involves training the actual "selling" staff

to sell more than one type of merchandise. Since this training makes a sales staff more plastic, it has been found that the cost of training is more than returned. For obvious reasons the "attendant" staff can be as flexible as required at all times.

RETAILERS AND NATIONAL ADVERTISING

Modern marketing technique has resulted in the intensive advertising of branded lines. Following this tendency to its conclusion, the manufacturer and the wholesaler supply retailers with display material and, if necessary, expert assistance in arranging displays. This eliminates a great deal of the expenditure in which many retailers otherwise may be involved. The retailer may gain a great deal by intelligently using advertising material devised in this way. Sales and profits may be increased by retailing advertised branded "convenience" goods that do not call for sales effort from an "attendant" employed under the reorganized system of sales control. Retailers will find it an advantage to tie in with national advertising schemes to the extent of giving interior and window displays, and possibly having demonstrations at the same time as the national advertising appears in the Press and other media. Manufacturers will assist by supplying, either directly or through wholesalers, schedules and reprints of their advertisements to retailers for their information and guidance.

SUBSIDIES

A great deal has been said both in favour of and against the advantages of manufacturers or wholesalers giving retailers subsidies for advertising purposes. Various difficulties present themselves in carrying this into practice. At the outset the problem is how to arrange the subsidy. Should subsidies be made on the basis of sales?

To whom should the subsidy be paid? To all retailers, or to the larger stores only? Obviously, it is not possible to subsidize all retailers, as every one is not in a position to create advertising. Thus, the retailer who cannot create advertising is at a disadvantage. Even assuming that a subsidy can be given to the larger stores, further difficulties arise. The stores concerned may insist on themselves developing the advertising covered by the subsidy. Retail-store advertising of to-day does not depend on good "selling" copy to the extent that the national advertising of the manufacturer does. It is usually confined to describing goods of the "shopping" type. It depends much more on an appeal to the bargaining instinct of the customer and the prestige of the store concerned. With further progress in the rationalization of retail stocks, buying, pricing, and the further development of standard brands, the necessity for making this type of appeal is diminished. The question still remains, however, as to whether the retail store can evolve good selling copy to sell a branded or "speciality" line. In the first place, apart from the fact that this is not economic, owing to the duplication that develops between what the retailer and what the manufacturer are doing, at the same time the latter can usually supply much better copy and art material than the retailer is able to obtain. The manufacturer must of necessity maintain, or his advertising agency must maintain for him, a highly paid group of specialists to create art work and evolve copy and so on. It is much better that he should place the work of these specialists at the disposal of the retailer, rather than that the retailer should endeavour to obtain their services for himself. Further, the retailer, or his advertising department, may not have the intimate knowledge of markets that the manufacturer has obtained as the result of his specialized market studies relating to one group of

products only. Again, the retailer has not the exclusive personal interest that the manufacturer has in convincing the consumer that his branded product is exactly what is required. Finally, the manufacturer develops his national campaign as a continuity and with definite, broad merchandising objectives in mind. Any advertising independently initiated by the retailer cannot, of necessity, be in complete unity with this continuity and so must lose some of its effectiveness.

The conclusion is indicated that, by giving a proportion of his advertising appropriation to retailers in the form of subsidies, the manufacturer loses a great deal that he would otherwise gain by using the money in extending his national campaign and so creating goodwill and demand for his branded merchandise on a national basis, to the benefit of retailers everywhere.

Under normal circumstances a subsidy from the manufacturer may be considered undesirable, especially in relation to "convenience" goods. In somewhat different ways distributors concerned with high-price "speciality" merchandise such as motor-cars, refrigerators, etc., in many instances have been allowed special trading terms on the condition that they devote a certain predetermined percentage of their sales figures to advertising the product.

The procedure has varied according to individual cases and has met with varying degrees of success. When the distributor has developed his own advertising out of the amount set aside in this way, most of the disadvantages enumerated above have occurred. However, where the manufacturer has purchased media, and, in co-operation with the distributor, has developed the latter's advertising, the whole has often been of considerable mutual benefit. Under these conditions, the advertising of both the distributor and the manufacturer has been evolved at the same source. The same copy-writers and artists have been

developing the advertising, with the result that there has been a continuity between the distributor's and the manufacturer's advertising with an ultimate increase in effectiveness and a decrease in cost.

This system is most practicable when the distributor is concerned with the high-price, branded "speciality" merchandise of one manufacturer, for whom he holds exclusive territorial rights, and diminishes in practicability as the number of manufacturers with whom the distributor trades increases, as the price unit decreases, as the exclusiveness of his franchise diminishes, and as the merchandise involved approaches the "convenience" type.

RETAILER CO-OPERATION WITH MANUFACTURER'S ADVERTISING

In developing any system whereby retailers can co-operate with, and utilize to its greatest extent, the manufacturer's advertising, it is necessary to consider the function of the manufacturer's advertising as compared with that of the retailer. The manufacturer, in his advertising, aims to create goodwill and demand for his branded product so that consumers will go to retailers and ask for it. The retailer, in his advertising, aims to persuade consumers of a specific type to patronise his particular shop and make all of a particular type of purchase there rather than elsewhere. The manufacturer is not so greatly interested in where the consumer buys, so long as he buys in sufficiently large quantities at the advertised price.

It is the function of the manufacturer, by his advertising and general marketing procedure, to create consumer demand for his branded product. When the manufacturer has done this, the retailer must capitalize to his own advantage the demand so created, by taking steps to

ensure that *his* store is the place where consumers come to satisfy the wants created in their minds by the manufacturer's national advertising and sales promotion efforts. The manufacturer may assist retailers by publishing their names in advertisements to indicate where the branded product may be purchased. He may provide the retailer with display material and display facilities to indicate still further to consumers where goods may be obtained, and so remind them of the branded product right at the point of purchase.

Should the branded product be of sufficient importance, it may be to the advantage of the retailer to advertise at the same time as the manufacturer, and at his own expense, the fact that his shop is the place where consumers may purchase the product. Often he may supplement this with demonstrations. From this it will be seen how essential it is that the manufacturer should keep the retailer well informed as to his advertising and marketing plans.

Summarizing the situation, the manufacturer is interested in increased sales *in general*, while the retailer is interested in increased sales in *his* particular shop. The manufacturer can increase his sales by arranging to keep retailers informed of his advertising plans, and also supplying them with display facilities, etc., so that at the same time as the national advertising appears the retailers, capitalizing on the consumer demand so created, can increase their sales by displays and advertising their individual shops as the places where the public can purchase the products nationally advertised.

The ultimate result of this system is that, by his advertising, the manufacturer "sells" the great proportion of branded products to the consumer. The function of the retailer is to stock the branded products and keep them on display so that consumers are able to know where

they can be readily obtained. Thus the retailer, as a general rule, does not "sell" the nationally advertised, low-priced, branded "convenience" line. The service he renders in relation to it tends to be of the "attendant" rather than of the "selling" variety. He does, however, take a much greater part in "selling" high-price "speciality" merchandise.

CHAPTER XVIII

THE WHOLESALER ¹

TENDENCIES in wholesale selling—The manufacturer's selling agent—The wholesaler proper—The future of the wholesaler—The small independent retailer and the wholesaler—The future development of the small retailer and its importance to the wholesaler

DURING the earlier decades of this century, the wholesaler functioned as the distributing agent for the manufacturer. The majority of manufacturers were not developed to a sufficiently great extent for them to utilize their own sales organizations to contact with retailers. The wholesaler was the link between the manufacturer and the retailer. He often bought in large quantities from factories, and through his salesmen sold in smaller units to retailers. His profits were represented by the difference between the price he paid the manufacturer and that he received from the retailer.

The wholesale trade developed in two directions, the one, where the wholesaler acted as the selling agent for the manufacturer and had the exclusive right to distribute that manufacturer's goods among retailers in specific territories; the second, where the wholesaler had no such exclusive right and bought lines more or less indiscriminately as he considered he could sell them to retailers. The former of these types has become known as the manufacturer's selling agent, and the latter the wholesaler proper.

THE MANUFACTURER'S SELLING AGENT

A manufacturer with a limited production capacity or a scattered distribution for his product may find it

¹ This chapter originally appeared in *Marketing*. The author is indebted to the hon. editor for permission to reproduce it.

more economical not to maintain a selling and distributing organization of his own. Under these circumstances, he may arrange with a selling agent to carry out this work for him. The selling agent is given the exclusive right to distribute the product to retailers, and, in brief, functions as the manufacturer's entire selling and distributing organization, employing salesmen to call on retailers, and arranging for the distribution of the merchandise. The selling agent is enabled to do this in an economical way because he does not usually distribute the goods for one manufacturer alone. Often he performs this function for several manufacturers, each of whose products is usually non-competitive. For example, a manufacturer's agent's salesman may call on chemists and sell a face cream, a tooth paste, a soap, and a patent medicine, each manufactured by a different company.

The system under which agents work for manufacturers differs according to individual instances. The agent may receive a commission on all orders booked. The orders may then be passed on to the manufacturer, who delivers from the factory. Alternatively, the agent may purchase specified quantities of stocks from the manufacturer and undertake the entire sale and delivery of these, his remuneration being represented by the profit he makes on his price to the retailer. In the case of branded merchandise, while the manufacturer often develops and pays for advertising and sales promotion material, frequently this also may be the responsibility of the agent.

The selling-agent system has been developed extensively in connection with export markets in countries where the volume of sales is insufficient for the manufacturer to maintain a local sales organization of his own. Large agency organizations of this type have been developed with branches in many countries. The manufacturer contacts with the head office of these organizations only,

and the head office arranges for perhaps a world-wide distribution.

The agent is given an incentive to increase trade by reason of the exclusive franchise which he enjoys and the knowledge that any developmental work which he carries out means either increased commission or increased profits for him.

However, most manufacturers have tended to regard the selling agent as useful only so long as the volume of sales is small. When sales develop to a scale justifying the organization of their own sales department, manufacturers generally have preferred to take their business away from the agent and develop their own organization, believing that by establishing a direct control they can achieve better results. Some manufacturers have met the problem half-way by employing their own salesmen to contact retailers, but arranging for deliveries through the sales agent. Under certain circumstances this system may mean that the manufacturer does not carry large stocks, this being done by the distributor.

THE WHOLESALE PROPER

The wholesaler proper carries large stocks of merchandise bought from a number of manufacturers, for none of whom an exclusive franchise is held. The wholesaler's travellers call upon retailers and sell them a large range of merchandise in small quantities. In the United States of America such types of organization are often known as "jobbers." The aim is often to buy from manufacturers at as keen prices as possible, and to sell to the retailer for as much as possible. This system operates very much to the advantage of the wholesaler in the case of unbranded "shopping" or "house" merchandise. The wholesaler can proceed from one manufacturer to another, buying the unbranded merchandise he requires on a competitive

basis, then perhaps putting his house brand on it and distributing to retailers at prices for which there is no criterion except the retailer's own buying sense.

The situation is very much different in the case of branded merchandise. Nationally advertised by the manufacturer at standard prices, the price to the wholesaler is a standard catalogue one, as is that at which the wholesaler must sell to the retailer. One wholesaler has no advantage over his competitors with regard to either the prices at which he can purchase from the manufacturer, or the prices at which he can sell to the retailer. Thus the wholesaler has tended to become more interested in pushing the sales of unbranded or his own "house" merchandise rather than the nationally advertised branded product. Manufacturers, realizing this, have ceased to rely on wholesalers to sell and distribute their branded products, and have made their own arrangements for salesmen to call on retailers and for the delivery of goods. The result has been that, in the majority of cases, retailers can buy direct from the manufacturers at the same prices as they can purchase from the wholesaler. In most instances, if the retailer can buy in sufficiently large quantities, he can buy direct at exactly the same prices as the wholesaler can, and thus at cheaper rates than he can from the wholesaler. This has meant that the large retailer buying direct in large quantities obtains a greater margin of profit than the small retailer trading with the wholesaler. As a side issue, this sometimes has tended to encourage the large retailer buying in this way to "cut" his prices. However, in the case of nationally advertised merchandise, the manufacturer usually insists on retail price maintenance and so puts the small and the large retailer on the same basis with regard to their prices to the consumer. Often many manufacturers of branded merchandise have attempted to retain the goodwill of wholesalers

by continuing to give special wholesale prices and not allowing these to retailers large or small. Indications point towards the discontinuance of this practice ; pressure from large retail buyers has tended towards influencing manufacturers to adjust their prices to wholesalers and retailers alike on a quantity basis. If a wholesaler buys sufficiently large quantities, he obtains an advantage of price. If the retailer buys in equally large quantities, he obtains an equal advantage. In theory the wholesaler, on account of his connection with a large number of retail outlets, should be able to buy at very advantageous prices. In practice it does not always work out in this way.

THE FUTURE OF THE WHOLESALER

The tendency is for the public to demand nationally advertised branded goods of the "convenience" type. This demand has been created and developed by the increased use of national advertising. The tendency in distribution is for manufacturers to sell and distribute their branded merchandise direct to at least the more important retailers. On account of the greater possibilities of profit and the lesser degree of competition involved, wholesalers are tending to prefer selling unbranded "shopping" goods to branded merchandise. It has been shown how advertising has taught the housewife what to ask for, what she will get, and what she will pay for it, so that there is no longer the necessity of walking from one shop to another to compare qualities and prices. Thus modern advertising is tending to change the demand for "shopping" goods into one for "convenience" or "speciality" goods.

Interpreting these tendencies in relation to the function of the wholesaler, it will be seen that he is tending to restrict his activities to the distribution of unbranded or

“house” goods of the “shopping” type. But the demand for “shopping” goods is decreasing in proportion as national advertising and modern marketing methods are changing merchandise from “shopping” into “convenience” goods of the branded type. In this respect the trade of the wholesaler is becoming contracted. It is probable that “fashion” goods always will remain of the “shopping” type and thus the wholesaler trading in “fashion” goods will tend to continue performing a useful function. Increased tendency to demand branded goods does not affect the type of distributor trading as a manufacturer’s agent and carrying out the selling and distributing functions on an exclusive territorial basis for a manufacturer who, through not being sufficiently large, or for some other reason, finds this more economical than doing these things for himself. Thus the future of the wholesaler in regard to the distribution of “fashion” or “shopping” goods, or as the selling agent with exclusive territory, is reasonably clear. The future of the wholesaler dealing in branded “convenience” goods and without an exclusive franchise is more complicated and is bound up with the future of the small independent retailer.

THE SMALL INDEPENDENT RETAILER AND THE WHOLESALER

The wholesaler selling branded “convenience” goods has not been particularly interested in what brand he sells to the retailer so long as his gross order is satisfactory, unless one particular brand affords him more profit than another. It has been this situation which has led manufacturers of branded “convenience” goods to realize that the salesmanship of the wholesaler has not been sufficiently aggressive in relation to their own particular brands of goods. The result has been that where the manufacturer has been sufficiently large, he has developed

his own sales and marketing organization, which works on a much more aggressive basis and in more direct relation with his own ambitions. However, there have always been a number of small retailers who, for reasons of credit, the small size of their orders, or the costs involved in delivering the goods that may be ordered, have not been of sufficient importance to justify the expense of the manufacturer's salesman calling upon them. These outlets have been left for the wholesaler to deal with. They have proved profitable to the wholesaler because each usually buys a great proportion of their requirements of all brands from him, and so can give his salesman a reasonably good order, consisting of a number of different, though comparatively small, items. In many instances these small retailers are very much in debt to the wholesaler, who thus has a further means of controlling them. From these facts it is reasonable to assume that the future developments will be for the larger retail outlets to purchase their "shopping" and branded "convenience" goods direct from the manufacturer, or from the selling agent with exclusive territory, while the smaller retailer will continue to buy through the wholesaler who specially caters for them either on a basis of price for "shopping" goods, or on a basis of making up orders for small quantities of a number of brands of "convenience" goods.

In the sections on retail outlets it has been shown how retail distribution is tending to become concentrated in the department store, the co-operative stores, multiple shops, the one-price shops, and the larger retail outlets, while the smaller retailer is tending to disappear because he cannot compete on a basis of better buying and generally developing his business in an efficient way. The business of the wholesaler trading with the smaller retail outlets will tend further to diminish to a corresponding degree.

THE FUTURE DEVELOPMENT OF THE SMALL RETAILER AND ITS IMPORTANCE TO THE WHOLESALE

It may be assumed that the retail trade will, unless other factors intervene, become more and more limited to the larger type of outlet, with a consequent decrease in the importance of the small independent retailer. Recapitulating, the reasons for this are—

1. The larger retail outlets can purchase in larger quantities and so on more advantageous terms than the small independent retailer.

2. The larger retail outlets are in a position to employ experts in buying, stock control, merchandising, advertising, display and sales promotion, and so can work in a more effective way than the small independent retailer who is comparatively unskilled in such matters.

It has been indicated how many small retailers have combined to pool their buying resources and that the result has proved to be very effective. Reasoning a step further, it is logical to suggest that the wholesaler should provide to the smaller retailer the expert advice that the large retail outlet has from its salaried experts.

The majority of wholesalers have done little for their retailers beyond affording them credit and facilities for obtaining merchandise. Linking up the other requirements of the small retailer with present trends in distribution, the wholesaler operating on behalf of a group of small retailers is enabled to purchase large quantities of merchandise from manufacturers on terms comparing with those obtained by the larger retail outlets. He can distribute these at a margin recompensing him for his services and comparable to the costs involved in the maintenance of a buying office by the larger retailers. Coincident with this development, the wholesaler should

maintain the services of experts in merchandising, advertising, display, and sales promotion. These services should be placed at the disposal of the retailers with whom he trades. In other words, the wholesaler can provide a central purchasing agency, and, in addition, advise on merchandising, advertising, and selling for a group of small retailers, receiving as his remuneration a percentage on the merchandise sold. These services strengthen the position of the small retailer, putting him on a similar basis to the large retailer, and provide an economic function in the distribution scheme for the wholesaler. The system also is of advantage to the manufacturer in that, by budgeting the requirements of the smaller retailers associated with him in this way, the wholesaler is able to order merchandise well ahead and so enable the manufacturer to regulate production.

CHAPTER XIX

SAMPLING

OBJECTIVES in sampling—General principles—House-to-house distribution—Distribution through advertisements—Competitions—Distribution through retailers—Distributing samples with other merchandise—Using the consumer to distribute samples—Automatic machines—Professional men as distributors of samples—Retailers' samples—Sampling as an index of consumer preference—Checking the value of a sampling scheme

SAMPLING in its various forms is one of the methods employed to establish a more general knowledge of a product among consumers. In many instances it also results in stimulating an interest in the product among retailers. The cost of sampling is comparatively high, and normally the method is most applicable when introducing a new product. Occasionally, sampling may be employed as a means of stimulating the sales of a product that have been lagging. Less frequently, it may be employed to estimate consumer preferences. Sampling is most practical in relation to merchandise that is purchased frequently, so that the period of time elapsing between the receipt of the sample and the possible purchase of the product as a result of trying the sample is relatively short.

GENERAL PRINCIPLES

Certain general principles should be understood to apply to all types of sampling. In the first place, the sample must be of a sufficiently large size for those receiving it to be able adequately to try out the product. Secondly, as far as possible it is desirable to convey to the consumer an idea of the value of the sample. Many samples are distributed to consumers, who give them to their children as playthings; in other cases habitual sample-collectors make a practice of obtaining all the samples they can.

Whenever possible, the recipients of samples should be required to pay something for them. This has the two-fold advantage of making recipients value the sample and so give it a serious trial, while, at the same time, it tends to eliminate the habitual sample-getters and so limits the distribution of samples to those who are genuinely interested in the product. Finally, sampling is most effective when developed in co-operation with retailers. Retailers should be informed when a sampling scheme is being developed so that they can adjust their stock and displays accordingly.

HOUSE-TO-HOUSE DISTRIBUTION

The most frequently used method of distributing samples is for a crew of canvassers to proceed from house to house in a district and leave samples at each. This is often a wasteful method, as many will not even try the sample. It does not provide any incentive for the potential consumer to make a purchase beyond the sheer merit of the product and the effect of any promotional literature that may be left with the sample. When the product is a new one and of outstanding merit, this method may have certain advantages. Any such general sampling scheme should be adequately supported by Press advertising and display in retail outlets if it is to be effective.

This method has often been modified by canvassers leaving a token of some kind at each house instead of the actual sample. These tokens entitle the holder to receive either a free sample or a packet at a reduced price from their local retailer. This has advantages in that it eliminates the distribution of samples to those who do not want them and at the same time forces the retailer to stock the merchandise for which the token is negotiable. It has the disadvantage that retailers dislike selling or distributing

samples at reduced prices unless they too receive something in return. This is overcome by giving retailers a financial incentive to encourage their customers to bring the token to them. The method is most effective when supported by local Press advertising which lists the retailers where the tokens can be negotiated, by displays in the negotiating retailers' shop windows, and by promotion material and lists of retailers accompanying the samples. When such a scheme is well organized, it has the effect of stimulating retailers to a remarkable degree. When it is badly organized it antagonizes retailers.

DISTRIBUTION THROUGH ADVERTISEMENTS

Another method of distribution is to offer samples in Press advertisements on condition that a coupon is clipped and posted to either the manufacturer or the distributor, who then distributes the samples. This has both the advantage and the disadvantage of taking the distribution out of the hands of the retailer. The Press coupon method is employed both to introduce new products and to revive interest in established ones. It has an advantage that an analysis of the inquiries from each publication in which the samples are offered provides an indication of the relative effectiveness of various media and general-reader interest in the type of appeal employed in the advertisement.

COMPETITIONS

An effective method of sampling, though it is not usually recognized as such, is the organization of competitions, one of the terms of entry for which is the purchase of a quantity of the product. For example, beauty-preparation manufacturers institute film star competitions, entry for which must be accompanied by evidence that a jar of their face cream, etc., has been purchased. If

the competition is one that appeals greatly to the interest of potential consumers of the product and influences them to make a purchase so that they can enter, it is a very effective method of marketing a new product or of reviving interest in the old one. If, on the other hand, the competition does not interest persons of a type who are potential purchasers, or only interests those who are already purchasing the product, it fails in its object. Such schemes, to be successful, must be arranged so that a large number of individuals will believe they have a chance of being winners. Press advertisements and displays in retail outlets must be employed to make the terms of the competition widely known. The rewards should be substantial. Experience has shown that it is more effective to offer one or a few large prizes rather than to offer many small ones.

DISTRIBUTION THROUGH RETAILERS

Manufacturers often give retailers supplies of samples to distribute to their customers. This has several disadvantages—many retailers distribute the samples to favoured customers only; others retain the samples for their own personal use. If the retailer can be relied on conscientiously to distribute the samples, then the method has the advantage that in receiving a sample the potential consumer assumes that the retailer is recommending the product to him. The method can be made more effective with the aid of Press advertising and retail display inviting those interested to request their samples from certain specified retailers.

DISTRIBUTING SAMPLES WITH OTHER MERCHANDISE

A more effective and modified form of sample distribution through retailers is to include samples with

packages of allied merchandise. For example, a manufacturer of beauty preparations may include a sample of face powder with each pot of face cream. The logic behind this method is that the purchaser of the manufacturer's face cream must be satisfied with it to purchase it. Then, if she is informed that the same manufacturer produces a powder and she is given a sample to try, her goodwill toward the face cream, which has already been developed, may be extended to the powder—provided, of course, that the quality and the other attributes of the sample are up to the standard required. This method of sampling need not necessarily be supplemented by Press advertising, but is limited to those persons who are already using certain of the manufacturer's products and so are undoubtedly the most logical prospects for other products.

USING THE CONSUMER TO DISTRIBUTE SAMPLES

The experiment has been tried of using those individuals who already use the product to distribute samples among their friends. For example, a tobacco manufacturer has experimented with including in certain of his packages a small, separately wrapped quantity of tobacco, just sufficient to fill one pipe. Smokers who use that brand of tobacco are invited to put this in their pouch and pass it on to a friend when he asks for a pipeful. This method amounts to the recommendation of a product by a consumer to another potential consumer in the concrete form of giving him some to try.

AUTOMATIC MACHINES

Automatic machines provide an effective way of distributing small quantities of merchandise. Many automatic-machine sales are to ordinary users of the brand of product who are "caught short," but the method may also serve to introduce other potential users to it. In

addition to carrying out the function of distributing samples, automatic machines provide an effective means of achieving considerable additional sales volume.

PROFESSIONAL MEN AS DISTRIBUTORS OF SAMPLES

Often dentists and doctors provide an avenue for the distribution of samples of medical products such as tooth pastes and medicated soaps. People consulting professional men frequently inquire concerning the best brand of tooth paste, skin soap, etc. If the professional man hands them a sample it goes to them with his recommendation—a very important factor in relation to certain types of merchandise. This method of sample distribution is not always available, but should be exploited whenever possible.

RETAILERS' SAMPLES

It has been indicated in the chapter outlining the methods of interesting the retailer that an effective sales promotion scheme should be such that the smaller retailers in particular are persuaded to use the manufacturer's product themselves, for the reason that if they do this and are enthusiastic about the product, then it will be a good sales argument if they tell potential purchasers of their preference. However, the opposite may be the effect when they dislike the product. Some discretion must thus be employed in distributing samples for retailers' own use, and special care must be taken to ensure that the samples reach them in the best possible condition.

The distribution of samples in this way must be carefully controlled to ensure the elimination of wastage and also to ensure that the retailer really does use them and does not put them into stock to be sold. This must be a matter for investigation and report by the salesman.

These samples are often marked in such a way that they cannot be sold. The size of the samples distributed for the retailer's own use must be sufficient to enable a continuity of use. The fact of the retailer using a brand of product might be capitalized by appropriately worded display cards to be shown on the counter. This method of sample distribution is distinct from the routine samples of new lines, etc., that are shown to the retailer and from which he purchases the stock for his shop.

SAMPLING AS AN INDEX OF CONSUMER PREFERENCE

Manufacturers doubtful concerning the possible consumer acceptance of new lines often use a method of sampling to obtain data. For example, if some doubt is felt concerning the relative merits of two brands of face cream, it is possible to select an area and distribute samples of each to persons in it. Together with the samples is a token entitling the bearer to buy the alternative preferred at a reduced price at certain specified shops which have been induced to stock both alternatives. Popular preference is indicated by the sales of each alternative. When sufficient data have been obtained, the least satisfactory product is withdrawn and the retailers participating compensated in some way.

CHECKING THE VALUE OF A SAMPLING SCHEME

In the course of an ordinary sample distribution, the following types of individual receive samples.

(A) Those who have never used the type of product nor any of the manufacturer's other types of product.

(B) Those who have used, or use, the type of product but of some other brand and do not use, and have not used, any of the manufacturer's other products.

(C) Those who use the type of product but of some other brand, while at the same time they use, or have used, some of the manufacturer's other products.

(D) Those who have used the manufacturer's brand but have discontinued to do so.

(E) Those who use the manufacturer's brand.

Several other possibilities and combinations may suggest themselves, but these are the more important.

The sampling method must be adapted according to the particular group on which it is desired to concentrate. Samples distributed to class "E" represent waste. Class "D" may be persuaded to change back to the product once more. Class "C" may not know the manufacturer produces a type of product to suit them, and a sample may have the effect of influencing them to extend the goodwill they have towards the other lines produced by the manufacturer to the one of which they have received a sample. Classes "B" and "A" may be directly persuaded to use the brand of product.

Any manufacturer or distributor initiating a sample distribution should check up its effect and its distribution over these groups. As far as possible he must aim to eliminate those in group "E" from the sample distribution. Then in regard to the other four groups, if it is possible, he must arrange for field workers to follow up the distribution and interview a proportion of those who have received samples and by discreet enquiry ascertain the extent to which the sampling influenced them, i.e. whether (1) they did not buy any of that brand of product after trying the sample, (2) they bought a few packages of the brand after trying the sample and then discontinued, or (3) they became regular users of the brand after trying the sample. If the percentage of additional profit represented by the new business from the persons who become regular users bears a desirable relationship to the cost of

the sample distribution, then the method has been proved to be satisfactory. If the actual new business resulting from the sample distribution is out of proportion to the cost, either the sampling method should be revised or the use of sampling as a sales promotion weapon should be discontinued altogether.

CHAPTER XX

GIFT SCHEMES

OBJECTIVES in developing gift schemes—The history of gift-scheme methods—Stabilizing demand—Increasing trade—Ultimate effects—The ethics of gift schemes—The enlightened use of gift schemes in marketing

THE giving of free gifts in return for coupons which are given when merchandise has been purchased is a practice that has been very generally used in recent years. By many it is regarded as a method of creating demand that is more effective than direct advertising. Many manufacturers give away free gifts in return for coupons, and, as a result of doing this, do not find it necessary to advertise their merchandise. Others give free gifts for coupons and at the same time spend considerable sums of money to advertise the gifts they give. Modern developments in the distribution of coupons have led to serious consideration being given to the ethics of this method of selling merchandise.

THE HISTORY OF GIFT-SCHEME METHODS

The earliest form of free gift was the inclusion of some trinket of little real value in the package. This was a popular method with manufacturers of breakfast foods some twenty years ago. A variation of this is the inclusion of picture cards in cigarette packets, etc. This appeal is mainly to children, who, it is assumed, collect these trifles, and, in collecting them, influence their parents to keep on buying the product containing them so that their collection may become complete. Another form of free gift is the offering of certain articles for quantities of the wrappers in which the product is sold. In the earlier stages of gift schemes, free packages of the product itself were offered

for so many wrappers. It was found that alternative gifts having no similarity to the product originally bought were preferred, so gradually there developed the practice of giving collectors of wrappers several different free gifts to choose from. Saving wrappers proved cumbersome in the case of many products, and a modification was introduced in the form of a coupon on the wrapper. The coupon was cut out and saved. The most recent development is the printing of special coupons and the inclusion of these in the package. The range of goods for which varying numbers of these coupons can be exchanged has become enormous. Provided sufficient coupons can be saved, it is possible to obtain the complete furnishings for a house. Elaborate showrooms have been developed in which to exhibit the gifts obtainable from coupons. Another trade has sprung into existence which consists of individuals who are willing to buy coupons for cash from persons who do not wish to obtain gifts, and, at the same time, these people will sell, for cash, coupons to persons who may wish to acquire some to make up the number they require for a gift they are determined to obtain. Some manufacturers have arranged for those saving their coupons to reserve their gifts ahead. Newspaper and magazine proprietors utilize a similar method. If individuals will sign an undertaking to become regular subscribers, they will insure their lives, or offer them other inducements.

Retailers have employed the free-gift method to increase business. One long established method has been for retailers to buy coupons from a coupon house. The retailer then gives these to his customers at the rate of so many for so much money spent. Customers save these and take them to the coupon company's headquarters, where they can be negotiated for gifts. Other retailers issue their own coupons, which are usually negotiable for something

they sell. For example, a tobacconist may issue a coupon with each ounce of tobacco purchased from him. He then may give a free pipe for twenty-four coupons. A hairdresser may issue a coupon for each haircut, and for twelve coupons he may give a free haircut. A dry-cleaner may give a coupon for every 5s. spent with him, and for four coupons he may dry-clean and press a suit free.

STABILIZING DEMAND

The primary objective in the use of coupons is to stabilize trade. There is always a proportion of the public that changes from one brand of product to another, from one newspaper to another, and from one shopkeeper to another. If this type receives coupons with each packet of a product, with each purchase he makes from a retailer, or receives certain privileges as the result of being a regular subscriber to a particular newspaper, there will be a tendency for him to keep on buying the brand of product, patronizing the particular shop, or reading the one newspaper so that he will obtain the benefits involved. This fact of influencing the individual to remain stable in his purchasing habits has helped the manufacturer, the retailer and the newspaper proprietor to stabilize their business. Generally it has tended to steady the demand and to create regular instead of changing users. If this is the sole purpose of the free-gift scheme, it is not usually considered necessary extensively to advertise the offer. Those who use the brand of product, patronize a certain shop, or read a certain newspaper, find out about the scheme easily enough, and in a certain number of cases it has the effect of steadying their purchasing habits. In so far as the free gifts achieve this, they prove a valuable sales promotion method and the value of a more stabilized trade, in theory at least, more than makes up for the cost of the gifts distributed.

INCREASING TRADE

Many, however, reason that the fact of one brand of product, one retailer, or one newspaper giving free gifts to regular users proves an effective means of attracting the patronage of persons who use other brands, shops or newspapers that do not provide free gifts. In other words, the use of free gifts has been extended to attracting new business. Following this reasoning, manufacturers, and newspaper proprietors in particular, advertise the free gifts they offer to regular purchasers. The range of gifts has been extended from time to time. Competing manufacturers and newspaper proprietors have been forced to fall into line, and the situation often rapidly develops that the steady business and the new business evolved as the result of free-gift schemes are no longer existent. The situation becomes much the same as it was before the introduction of the gift schemes. Newspapers with expensive free insurance schemes have found that the new business attracted thereby has disappeared when a competitor introduces a more elaborate and more expensive scheme. In fact the competitor often makes such inroads into the circulation of his rival's newspapers as to compel him to originate another scheme. And so the game proceeds, the only persons benefiting being the public. An agreement may be arranged to limit the extent of such offers. The same generally applies to the manufacturer, although most manufacturers have hesitated to proceed with their schemes to the extent many newspapers have.

The conclusion to be drawn is that, so long as free-gift schemes proceed along lines that are not fiercely competitive, they tend to stabilize trade. When free-gift schemes are advertised extensively and become fiercely competitive, with the immediate object, not of stabilizing trade, but of obtaining new business, they become a disruptive element with little ultimate benefit to the trader.

THE ETHICS OF GIFT SCHEMES

When free-gift schemes are employed to stabilize demand, their effect is beneficial. The increased stability in demand enables the manufacturer to regulate production, and the value of this more than compensates for the expenditure in connection with the scheme.

When, however, the manufacturer ceases to utilize free-gift schemes primarily to steady demand and uses them solely as methods of attracting the trade from his competitor, the procedure is akin to a price-cutting campaign, with all the resultant evils. If his rival follows suit, then the ultimate result must be either a deterioration in the quality of the product sold to make up for the cost of the scheme, or else the bankruptcy of those concerned.

It has been claimed that free-gift schemes, by increasing demand, also enable the manufacturer to increase production in the same way as advertising does. The result is that goods can be produced at a lower cost. Such is only true so long as the scheme actually does increase demand. But, just as if all competing firms advertise or cut prices to the same extent, the sales of each firm may not be increased proportionally, so, if all competing firms offer increasingly valuable free gifts, their individual sales may not necessarily increase accordingly. The problem very often solves itself, more especially in cases where the product must be deteriorated to provide expensive gifts. The fundamental principle of consumer demand is that ultimately the consumer will buy the merchandise most suited to his wants, irrespective of free gifts of other merchandise with it. If the product is not the quality he requires, then, although he may be influenced by free gifts for a period, ultimately he will buy some other brand that approximates more nearly to what he wants.

In certain countries free-gift schemes have been prohibited by law. However, this would appear to deprive

the manufacturer of a valuable marketing method. Entire prohibition would appear to be too drastic. Morally the manufacturer is entitled to use any effective sales promotion method to increase his sales. Free-gift schemes ultimately are only another form of advertising. Just as prices and even individual advertising appropriations are agreed upon by certain groups of manufacturers, so is it possible to agree upon the limitations and scope of free-gift schemes. This agreement is essential in the interests of all involved.

THE ENLIGHTENED USE OF GIFT SCHEMES IN MARKETING

Actually it is the function of the manufacturer to produce his particular type of merchandise and not to develop into a minor trader in some other form of merchandise. Should he do so, his efforts become dispersed and ultimately ineffective. It appears that the ultimate solution will be the recognition of free-gift schemes as a method of steadying and regulating demand. Just as enlightened salesmanship and enlightened advertising recognize that the depreciation and "knocking" of competing merchandise is not "ethical," and tends at the same time to create distrust concerning the whole group of merchandise involved, so enlightened marketing must recognize that fiercely competitive free-gift schemes, by creating an inordinate public demand for something more than the actual merchandise it is desired to sell, are of little ultimate benefit. Just as good salesmanship and good advertising *create* a healthy demand, so will the free-gift scheme, properly used, have a beneficial effect in *stabilizing* demand.

CHAPTER XXI

PRICES AND PRICE LEVELS ¹

PRICE units and branded goods—The standardization of levels—The importance of currency units—Social groups and price acceptance—The problem of price cutting—The prevention of price cutting

THE problems of prices and their acceptance by consumers have been complicated by the mass production and advertising of branded, packeted products that has become the outstanding feature of recent developments in marketing practice. Fifty years ago, it was accepted as legitimate to produce merchandise as cheaply as possible and to sell it at the highest price that could be obtained. During the years immediately preceding the War, prices were brought into a closer relation to the cost of production, and comparatively standard and uniform prices were being charged for staple merchandise. After the War the principles of price determination were upset by a new tendency which involved, firstly, the packaging of every possible type of commodity and, secondly, the retailing of nationally known, packaged, and branded commodities at prices established in the public mind by national advertising. As we have seen, the result has been that, for example, sugar, once retailed from bulk supplies in certain quantities for a certain price, is now packaged, advertised under certain branded names, and perhaps even sold in different quantitative units.

THE STANDARDIZATION OF LEVELS

The principles determining the fixation of the prices of branded, packaged lines are entirely different to those which operated twenty years ago, when the housewife

¹ This chapter originally appeared in *Marketing*. The author is indebted to the hon. editor for permission to reproduce it here.

bought the greater part of her requirements from the shop-keeper's bulk supplies, and took them home packed in brown paper bags. The typical price problem of the manufacturer of to-day is not whether he will sell his product at so much a pound, but whether he will sell more if he makes it up into packets advertised at threepence, or whether he will sell more in other packets advertised at a shilling. National advertising has educated the housewife to ask for a sixpenny packet of "X" brand biscuits, whereas, in the past generations, housewives bought half a pound of biscuits for sixpence. In other words, the manufacturer has to determine the price unit which the greatest number of people will be willing to pay for his product. He then must adjust to this price unit a quantity and a quality which the consumer will consider adequate and representative of good value. The old process of the manufacturer reckoning his costs of production and distribution and, on this basis, computing a retail selling price has been reversed. He now must determine first what price the public constituting his market is willing to pay, and then as far as possible adjust his costs accordingly.

THE IMPORTANCE OF CURRENCY UNITS

The fundamental factor determining consumer acceptance of a price unit is the currency. However obvious this may be, its importance frequently has been ignored. The Englishman thinks in terms of pence, shillings, and pounds, the American in dollars and cents, and so on. These coins are the fundamentally accepted units of purchase in their respective countries. For example, if the five and ten cent store had been literally transferred from America to be opened in England as twopence-halfpenny and fivepenny stores, the resultant success would not have been as great as the present threepenny and

sixpenny stores, nor would the English sixpenny packing of cigarettes be as great a success in America at their literal equivalent of twelve cents as the present ten cent packing. The English units of the penny, the sixpence, the shilling, and the sovereign, are those to which usage has accustomed the consumer.

A factor that has been exploited to a considerable degree by retail stores in connection with these accepted units is that in relation to unbranded "shopping" goods. The consumer considers a price slightly under these units, for example, 1s. 11½d., as being very much more *below* the unit, 2s., than it actually is. A price slightly above the unit, such as 2s. 1d., is considered as being very much more *above* the unit of 2s. than is actually the case. Perhaps this may be explained by the fact that a price such as 1s. 11½d. means that the purchaser *receives something back* out of her unit of 2s., while, in the case of a price such as 2s. 1d., she must *add* something to it. While a retail store can sell more of a "shopping" product, such as silk, at 1s. 11½d. than can be sold at a price of 2s. or 2s. 1d. a yard, yet experience has shown that a branded packeted "convenience" line sells just as effectively if nationally advertised at the even unit of, say, 2s. If the price is nationally advertised at 1s. 11½d. sales are not appreciably affected. A price at the higher uneven unit of 2s. 1d. tends to decrease sales. The manufacturer of branded "convenience" goods thus is limited by currency units.

SOCIAL GROUPS AND PRICE ACCEPTANCE

His next problem is the level at which to fix his units. An analysis of the purchasing public divides them into three broad classes, the first consisting of those to whom everyday expenses are not a matter of great importance, the second being comprised of the great bulk of the population whose income enables them to live with a

moderate degree of comfort but to whom everyday expenses are a matter for consideration, while the third is made up of those people whose earnings may or may not suffice to buy them the bare necessities of life. The attitudes of those within each one of these groups towards a price level for a certain product must necessarily differ, as must also their requirements with regard to those attributes of the product such as quality. Within each one of these groups there are three further price levels. As a basis there is the price normally accepted as reasonable for average quality suitable for everyday use. Above this there is the accepted price for a superior quality for more exclusive use, while below there is the "cheap" price. For example, assuming that the highest grade of society normally demand the product with certain attributes "A," the middle class demand the product with certain attributes "B," while the lower classes demand the attributes "C." In the first, highest grade it also occurs that, while the attributes "A" are recognized as being appropriate for *normal* use, there is, above this level, the same type of product, but with attributes "A plus," accepted as "expensive" and for more *exclusive* use, while below there is the type of product with attributes "A minus" and which is accepted as "cheap" by this group. The same principle applies throughout the other groups. For example, the high-class store stocks products which its customers accept as "A plus" or expensive and exclusive, other similar products that are accepted as "A" or for normal use, and others again that are "A minus" or "cheap." In the same way, the middle-class suburban grocer has products which his "B" or middle-class customers accept as being, to them, exclusive or "B plus," average or "B," and "B minus" or "cheap." However, the products within the various levels accepted by the customers of the

high-class store differ greatly from those within the levels stocked by the middle-class grocer.

In the chapter on the consumer acceptance cycle we shall see the degree to which these levels affect sales. If the price of a product recognized as "A plus" by the "A" group is reduced, it loses recognition among that group in the same way as an expensive surgeon loses the support of the same group if he reduces his accepted fee from, say, 200 guineas to one guinea. At the other extreme, if the "C minus" price of the "C minus" product is increased, sales will be affected just as the sixpenny doctor becomes "too expensive" if he increases his charges to half-a-crown. Examples of this having happened in the case of well-known products are very numerous. One well-known manufacturer of a product generally accepted by the "A" group as being good, average quality successfully retailed it for years at nine-pence a jar without advertising a great deal. Owing to the activities of a competitor he changed his policy, reduced his price to sixpence, and advertised more extensively. This happened ten years ago and he is still endeavouring to recover the ground lost as the result of this change. What happened was that, while he lost trade with his high-class market as the result of advertising to the lower-grade market, at the same time, although his advertising had ceased to be effective in influencing the former market, it was not successful in creating acceptance in the latter market.

THE PROBLEM OF PRICE CUTTING

The great proportion of branded merchandise is retailed to the consumer at a standard advertised price. Recently many retailers have begun to sell standard goods at prices below those nationally advertised. This practice of "cutting" is an attempt to secure trade on a basis of

price only and not on the basis of real retail sales-promotion. In many instances the results have been disastrous in causing the bankruptcy of many small traders. From the point of view of the manufacturer, it is greatly to his advantage to maintain his standard advertised price and to insist that all retailers selling his merchandise do so at the correct price. For the consumer to find a nationally advertised and standard-priced article sold in one shop at one price and in another shop at a different price, the issue is confusing and he is inclined to doubt the value of the goods. From the point of view of the retailer, it is disconcerting to find a competitor selling a standard-priced, branded article at a "cut" figure that does not permit a reasonable margin of profit. The manufacturer finds it difficult to obtain the co-operation of his retailers if some are cutting prices, while those who are not doing so resent it. There is little logic in the situation of a manufacturer, on the basis of research, working out the most satisfactory price from the viewpoint of the consumer, adjusting his prices along the distributing process, advertising his price to the consumer and then permitting retailers to play havoc with it. From the point of view of marketing practice, there never should be any doubt in the mind of the consumer as to what price must be paid for the advertised branded product. "Cut" prices create this doubt.

Advertised prices usually are only "cut" in certain circumstances and for certain reasons. The line usually must be a nationally advertised product, sold at a comparatively low price level, and with a rapid potential turnover. The retailer seeks to make up the profit he loses through cutting prices by increasing his turnover. This reasoning is logical so long as his prices are below those of other retailers. Usually, however, a price-cutting war is commenced which ends only when several of the weaker retailers have been forced out of business

and the remainder agree to go back to the standard price. Alternatively, the retailer may seek to acquire a reputation for low prices through selling well-known merchandise at below standard prices. Through these "cut" prices he hopes to attract customers who will buy in his shop other goods on which he will regain the profits lost on the "cut" lines.

Occasionally, the margin of profit allowed the retailer by the manufacturer is too large, and the retailer feels he can "cut" the price and secure a slightly larger turnover without affecting the general average profits of his business. Less frequently, the manufacturer has "set" the wrong price for his product, i.e. used uneven units, such as 2s. 1d., etc., and the retailer has adjusted the price to the more correct one. Occasionally, the retailer may find a line selling slowly and he may "cut" the price to clear off his stock. Many retailers who are in a position to purchase in large quantities, and so obtain concessions in prices, may pass these on to the consumer in the form of "cut" prices.

THE PREVENTION OF PRICE CUTTING

Manufacturers have adopted a number of methods to check price cutting. One is a form of contract stating that the acceptance of the goods by the retailer constitutes an agreement to sell them at the standard price. Other manufacturers employ inspectors who supplement the efforts of the salesmen to detect price cutting. Supplies are then refused to offending retailers. The stopping of supplies is a powerful weapon in preventing price cutting, but not infrequently offenders obtain their supplies by devious means.

Actually the manufacturer can do a great deal to stabilize his price without resorting to coercive measures. Firstly he should, on the basis of research, determine a

price for his goods, that is, the price most of the public are willing to pay. If this price has been correctly determined, a "cut" price will represent one that a minority favour, and so will tend to lose its effect. For example, few smokers will go out of their way to obtain a packet of cigarettes for $5\frac{1}{2}$ d. if they pass a shop where they are sold at 6d., the most convenient unit.

If the manufacturer does not afford the retailer more than a reasonable margin of profit, he will not be submitting him to a temptation to "cut" the price. Finally, if the manufacturer finds through his salesmen that stocks of a line are "sticking" with a retailer, he should take them back rather than allow the retailer to attempt to clear them by reducing prices.

CHAPTER XXII

THE THEORY OF THE CONSUMER ACCEPTANCE CYCLE

CLASSIFICATION of branded merchandise—Factors important in marketing the two types of product—The acceptance curve—The critical ten per cent among consumers—Determining marketing policy—Example of accelerated sales—Example of retarded sales

BRANDED merchandise, from the marketing angle, may be divided into two broad classifications. Firstly there is the type of product with steady, regular sales extending over a long period of time. The second type is that with sales rising to a peak a comparatively short time after its introduction and then fading away, seldom to be revived. Typical of the first are many high-priced commodities, such as Rolls-Royce cars. Typical of the second group are fashion goods, novelties, and some types of branded merchandise.

FACTORS IMPORTANT IN MARKETING THE TWO TYPES OF PRODUCT

An examination of the factors important in marketing these two types of commodity reveals differences in their appeal. Where the general type of commodity is a necessity, its appeal is to a specific market, the specific type of person to whom it is a necessity. The total market is limited and stable, and so cannot fluctuate. But while, for example, the total volume of sugar sales may remain "steady" over a period, the sales of individual brands of packaged sugar may fluctuate. With the high-price commodity its market is limited by reason of its price alone, and so it cannot undergo the violent fluctuations of the fashion or novelty product, with its sudden peaks and rapid depressions.

The commodity dependent upon a fashion or novelty appeal frequently has a rapid and meteoric career. It rapidly rises into consumer acceptance, and as the fashion wears off, fades into insignificance.

THE ACCEPTANCE CURVE

The normal sales curve for any product follows a very definite course. Starting from a small volume with the introduction of the line, the curve ascends to a peak, quickly in the case of the fashion or novelty line, more often slowly in the case of the necessity, and then will tend to drop down again as other lines supersede it, or as it falls from popular taste. In the case of fashion goods, the curve may cover as short a period as a few days, while with an opposite type of commodity, such as household soap, this curve may cover a period of a score or more years, or even several generations. Modern merchandising and advertising practice has introduced a disturbing element into the progress of this curve. It has enabled the ascent and the descent to be controlled and altered at will. Thus we have a product such as Rolls-Royce cars maintaining a comparatively steady sales curve, while other products, such as Yo-Yo tops and styles of women's hats, may have a meteoric rise in an extremely short period and then may fade out as rapidly as they rose to popular favour. Assuming a manufacturer wishes to market a certain branded product, he can accelerate his initial sales by extensive window display and national advertising. This will give him a first peak. Sales usually reach a certain limit or point of saturation and cannot proceed any further. This limit is determined ideally by the price of the product and the number of people who can, and want to, buy it at that price. The next step may be to extend sales by reducing the price. These will reach a limit determined by the point to which the price can be

reduced. Then a decline may set in owing to competitors imitating the line and selling it under their own brand names. These processes may be described as constituting the normal curve illustrative of the life of a product. Certain psychological factors may operate to either retard or accelerate the progress of this curve. The process may be summarized under the term "consumer acceptance cycle." Modern merchandising theory has tended more and more to recognize the existence of this cycle, and in many instances has taken advantage of the factors determining its retardation or acceleration.

THE CRITICAL TEN PER CENT AMONG CONSUMERS

Modern authorities on marketing recognize the existence of a section of the community which has been termed "the critical ten per cent." In brief, this "critical ten per cent" is comprised of those persons who, once they have accepted a brand or type or product, are followed by the remainder of the community. As a simple example might be quoted the instance of the adoption of a particular fashion in dress by the Prince of Wales. This is immediately followed by the adoption of the fashion by all young men with sufficient means to do so.

The fact that advertising men appreciate the value of the endorsement of this "critical ten per cent" is shown by the great use made of society leaders in advertisements for toilet preparations, and even for restaurants and tobaccos.

Once accepted by the "critical ten per cent," the product begins to proceed through the consumer acceptance cycle at a speed determined to a great extent by the merchandising policy adopted.

Perhaps the most perfect examples are those of two brands of toilet soap. Both have, in general, adopted a very similar merchandising policy. Originally

they were marketed at a comparatively high price, and the accompanying advertising, consciously or unconsciously, aimed to create the impression that they were exclusive products. The girl of limited means read of famous women and beauty specialists using these soaps, but their price placed them beyond her reach. It is reasonable to suppose, however, that persons in the upper-income groups in many instances purchased and used the soaps. By a combination of circumstances, the manufacturers found it possible to reduce prices in a series of stages, thus putting these brands within the reach of the ordinary woman and business girl, who, influenced by advertising directed to prove that the "critical ten per cent" were using them, rushed to imitate those to whom they looked for leadership. The upper group, or, as we may term them, the "critical ten per cent," realizing that the other ninety per cent of women were tending to use these soaps, stopped using both brands. That this process was operating is proved conclusively by an investigation into the soap market in England and Scotland carried out in January, 1933. The great bulk of the market for both these brands of soap was shown in this investigation to be located in the middle-class group, whereas an investigation conducted some years previously revealed that at that time they both had a greater acceptance in the upper group. Undoubtedly, by these products being brought within the range of the middle-class markets, their sales volume as a whole has been increased enormously. When sales show signs of dropping from the peak established by the price reduction, other expedients doubtless will be adopted to hold them there.

DETERMINING MARKETING POLICY

Many manufacturers are not concerned about whether the sales of their product drop at the end of the consumer

acceptance cycle. They observe the trends of the cycle and legislate so that when the depression sets in they have other lines already ascending to a peak. This is more particularly true in the fashion trade, where continued changes and very rapidly fluctuating consumer acceptance cycles take place. It is also true in the confectionery trade, where a new type of confection, if marketed and advertised effectively, rises to satisfactory peaks in sales and then, owing to public satiation and the activities of competitors, a depression sets in. The skilful marketing manager recognizes when this last stage begins and exercises his judgment as to whether it is worth while to adopt remedial measures to hold back the depression, or whether to drop the line altogether and turn to some other which can be brought to a peak. The marketing policy adopted is determined by the type of trade done by the firm. Certain factories capable of producing a variety of lines can afford to turn to other types of product. For example, a confectionery factory, provided it has not limited its plant to the production of one type of goods only, can swing from one type of chocolate assortment to another, a hat factory from one type of hat to another, and so on. These factories continually let their products proceed through the consumer acceptance cycle. Other types of factory producing only a very specific type of merchandise cannot change to other types of product without a great deal of loss and disorganization. The manufacturer of a high-class car, a high-class tobacco and other high-class products, or else the manufacturer of specialized products, such as a particular type of soap, shoe polish, and other similarly placed products which do not follow fashion trends to any degree, does not find it advantageous for his product to rise to a peak that will be followed by a depression. It is of more advantage to him to have a

steady sale to a limited market. He achieves this by making his product with characteristics such that it appeals to a carefully defined and limited market. His advertising and merchandising policy does not aim to establish any general recognition by the "critical ten per cent," followed by a fleeting general acceptance by the masses. His policy is directed toward steady and unsensational sales. He may even price his product and deliberately maintain that price in such a way as to steady his trade and put it out of the market that may represent the most fluctuating features.

EXAMPLE OF ACCELERATED SALES

Two opposing examples of these types of merchandising policy will illustrate the points that have been made. As an example of marketing a new product to proceed rapidly through the consumer acceptance cycle in the course of a few months might be quoted an imaginary confection to be used at bridge and other types of entertainment.

First the price might be fixed at, say, 10s. per pound, this representing, say, a profit of 8s. 6d. per pound to the retailer. Distribution is obtained in high-class stores only. The product is advertised as a novelty for exclusive use. The big stores are persuaded to feature it, having been informed that this price will only be maintained for one month, but for that period distribution will be limited to exclusive shops only. Clever advertising creates some degree of acceptance among the "critical ten per cent," provided the product is really a good one and a worthwhile novelty.

At the end of the stipulated month distribution is obtained in the less exclusive shops. The exclusive shops can continue to stock the line if they wish to. The advertising features the endorsement of the upper social groups,

but announces a reduction in price to, say, 6s. per pound. This puts the product within the reach of a larger group of consumers, and the extended distribution makes a purchase as easy as possible. At the end of another month, distribution is secured in the lower-class shops and the advertised price announced as being 2s. 6d. a pound. This still leaves a substantial margin of profit for the retailer and puts the product within the reach of the masses who have for a long time been wanting to purchase it because of the publicity given to its endorsement by the upper groups. It is at this point that maximum sales are achieved, but they will not be maintained for a very long period because, with a realization by the "critical ten per cent" that the masses are now using the product, this "critical ten per cent" changes to some other more exclusive product. At the same time, as soon as the masses realize that the upper "ten. per cent" have ceased to endorse the product, they too will change to some other, unless a marketing policy has been devised which will prevent this. It will be appreciated that this particular manufacturer can speed up the progress of the consumer acceptance cycle or slow it down as he desires by the periods at which he introduces his price reductions, and also by the intensity of his advertising. At the time when his sales for the product are approaching a peak, he should have another product on the up-grade of the cycle to take the place of the first when the depression starts.

EXAMPLE OF RETARDED SALES

In contrast with this marketing policy is that of the manufacturer who depends for his volume on more or less steady sales to a market that is comparatively limited. For example, a manufacturer of a high-class toilet preparation may aim to develop steady sales. He defines his market as being among the upper social grades. He does

not want the lower-class market, as to popularize his product there would mean that it would begin to go through the stages of the consumer acceptance cycle, with ultimate rejection by the upper groups. First, he introduces the stabilizing element of a high price. This will enable him to sell a product with attributes appropriate to his market, and, at the same time, it will put the product beyond the means of the lower groups. As his product becomes known through advertising, its sales will increase up to a point determined by the extent of the limitations imposed on his market by price and any other factors, such as competition and distribution, that may be operating. Beyond this point sales will flatten out and may even decrease if the pressure of advertising is relaxed or competition becomes strong. In any case, his volume for a period can seldom be so great as would be the case if the product were allowed to go through the entire cycle down to the "mass" markets. Sooner or later the probability is that competition will become stronger and his sales volume will suffer a decline, ultimately disappearing altogether unless certain rejuvenating elements, such as a change of packing or shape, are introduced. The result may very well be to hold up the consumer acceptance cycle perhaps for as long as a generation, whereas the first confectionery product was accelerated through the cycle perhaps in the course of a few months.

This theory of the consumer acceptance cycle is one that will be taken into account more and more in modern merchandising practice. It is a necessary effect of the introduction of branded merchandise, modern price fixation and modern advertising and marketing technique. Enlightened control of the consumer acceptance cycle will enable the modern marketing manager to maintain his volume of sales, but a lack of recognition of its principles will be responsible for the deterioration of many

businesses that, for a time, may have looked extremely promising.

The following are graphs of the stages of the consumer acceptance cycles relating to the types of merchandising policy just described.

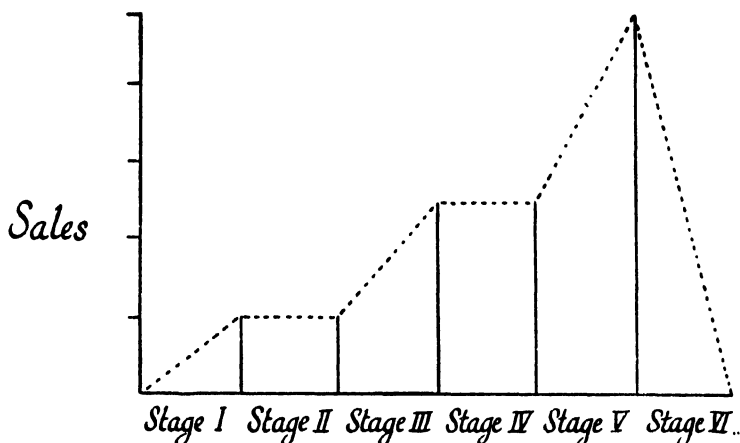


CHART IX

AN ACCELERATED CONSUMER ACCEPTANCE CYCLE EXTENDING
OVER A SHORT PERIOD OF SOME MONTHS OR EVEN LESS

(A) ACCELERATED SALES

Stage I—

- Product introduced to market.
- Distribution in shops doing "exclusive" trade.
- Acceptance by "critical ten per cent."
- High price and large margin of profit.
- Advertising to "exclusive" market.
- Increasing sales with limited acceptance of product.

Stage II—

Levelling of sales curve as possibilities of "exclusive" market reach saturation point.

Stage III—

Reduction in price.

Stage III—(contd.).

Distribution in shops doing less "exclusive" trade.

Increased advertising featuring acceptance by "critical ten per cent" to "middle class" groups of consumers.

Increasing sales to "middle class" market.

Stage IV—

Levelling of sales as possibilities of "middle class" market become saturated.

Stage V—

Further reduction in price.

General distribution among all types of outlet.

Further increase in advertising to all groups, featuring acceptance by "critical ten per cent."

Increased sales to all markets, reaching the peak period.

Gradual recognition by "critical ten per cent" that the masses are using the product.

Stage VI—

"Critical ten per cent" cease to use product.

Masses realize loss of acceptance of "critical ten per cent."

Competition affects sales.

Rapid decrease of sales.

Marketing policy should be to cease intensive effort on the line and concentrate on something else, as soon as this point is reached.

(B) RETARDED SALES

Stage I—

High-class product, high price appealing to specific and limited market.

Increasing sales due to advertising and sales effort.

Stage II—

Levelling of sales curve due to saturation of potential market.

No further increase due to price maintenance and other efforts to keep the market exclusive.

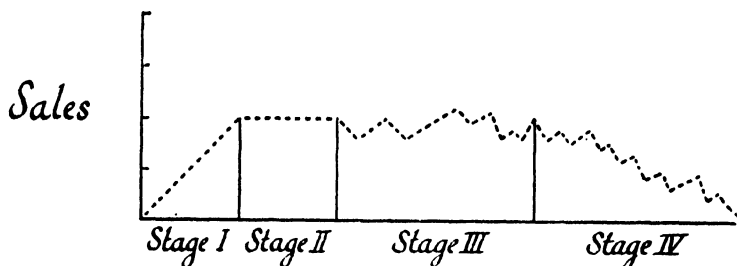


CHART X

A RETARDED CONSUMER ACCEPTANCE CYCLE EXTENDING
OVER A LONG PERIOD OF YEARS

Stage III—

Decrease in sales due to falling off of consumer interest and activities of competitors.

Frequent variations in curve due to rejuvenating efforts, such as advertising, change of design, packing, etc.

Stage IV—

Final decline due to competition.

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